STELUX
Holdings International Limited

寶光實業(國際)有限公司

Annual Report 2010

Stock Code: 84

web site

http://www.irasia.com/listco/hk/stelux

CONTENTS

	2006 HK$'M	2007 HK$'M	2008 HK$'M	2009 HK$'M	**2010** **HK$'M**
Consolidated income statement for the year ended 31st March					
Revenues	1,618.0	1,792.6	2,261.8	2,443.5	**2,370.2**
Profit attributable to shareholders	187.8	102.7	129.3	33.7	**25.2**
Interim dividend paid	9.5	10.5	11.4	–	**9.5**
Final dividend proposed	26.6	27.6	28.5	9.5	**9.5**
Special dividend paid	475.7	–	–	–	**–**
Consolidated balance sheet as at 31st March					
Assets	1,360.9	1,436.3	1,829.0	1,757.5	**1,754.0**
Less: Liabilities and minority interests	713.2	698.6	986.2	968.1	**906.2**
Shareholders' funds	647.7	737.7	842.8	789.4	**847.8**
	HK$	HK$	HK$	HK$	**HK$**
Per share data					
Earnings	0.197	0.107	0.135	0.035	**0.026**
Interim dividend paid	0.010	0.011	0.012	–	**0.010**
Final dividend proposed	0.028	0.029	0.030	0.010	**0.010**
Net assets	0.681	0.775	0.886	0.830	**0.891**

During the year under review, the Group continued to operate under a severe global recession, triggered by the global financial meltdown in October 2008, and the widespread outbreak of H1N1 in the months after April 2009.

Group performance for the first six months ended 30th September 2009 compared to the same period last year was, therefore, less favourable. However, with recession easing and economic growth returning to the regions where the Group operates in the second half of the year ended 31st March 2010, Group turnover picked up considerably and for the whole year under review stood at HK$2.37 billion, marginally down 3% from last year.

From the last six months ended 31st March 2009, when the Group made a loss of HK$3 million, we have seen a gradual return to profits in the two consecutive six month periods that followed: for the six months ended 30th September 2009 a profit of HK$4.6 million was made, and for the six months ended 31st March 2010 a profit of HK$20 million was made. For the full year under review, that is, 31st March 2010, the Group recorded a profit attributable to shareholders after tax and minority interests of HK$25 million compared to HK$33 million for the same period last year.

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

The Directors recommend the payment of a final dividend of HK$0.01 (08/09:HK$0.01) per share to the Group's shareholders.

WATCH RETAIL BUSINESS

The Group's watch retail business comprising of "CITY CHAIN", "MOMENTS", "CITHARA", "C^2" and "SEIKO boutique" recorded an EBIT of almost HK$70 million up 7% with overall turnover dipping a slight 3% despite the tough external circumstances.

The improving external environment in Hong Kong, with the return of inbound tourist arrivals in the second half of the year, and effective marketing strategies contributed to the posting of an improved EBIT for our watch operations in Hong Kong. An EBIT of HK$57 million was recorded compared to an EBIT of HK$31 million over the same period last year and turnover increased by a small margin of 2%.

Our operations in Macau returned an EBIT of HK$11 million compared to HK$14 million last year whilst turnover was down 4%.

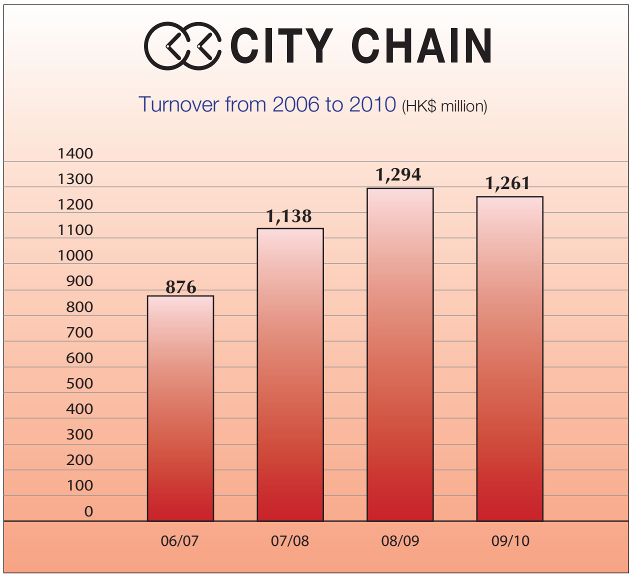
Singapore, due to its open economy was one of the worst hit countries in South East Asia. As a result, the performance of our Singapore operations was badly affected. Turnover was down 20% and a loss of HK$1.6 million was recorded compared to an EBIT of HK$9 million the previous year.

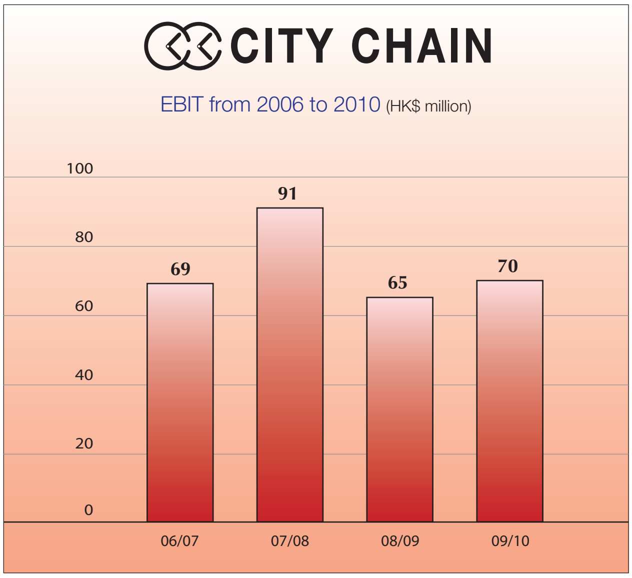
Our watch operations in Malaysia and Thailand returned better performances compared to the first six months ended 30th September 2009 reversing the average fall in turnover of 6% and for the whole year under review, turnover for these two markets were maintained at the same level as the previous year.

Operations in Thailand, despite the persistent political turmoil in the country recorded an EBIT of HK$30 million up 19% whilst our Malaysian operations posted an EBIT of HK$19 million compared to HK$21 million last year.

Our watch operations on the Mainland did not benefit from the PRC government's stimulus plans to increase domestic spending as these measures were directed at the consumption of consumer durables. A loss of HK$46 million was reported, up 30% compared to the previous year. The Mainland Chinese retail market is now one of the fastest growing in the world and as such this market is important to the long term development of the Group. Over the last few years, we have invested to build our brands in the Mainland market, whether this be "CITY CHAIN" or the Group's inhouse brands of watches. In addition to the longer term direct effect that the Group will enjoy from this market, the Group has also seen the spillover effect of such increased brand awareness impacting the turnover of our operations outside of Mainland China, especially in Hong Kong and Macau.

As we continue to establish our brands in the Chinese market, we will still face challenges but we do not foresee fixed running costs escalating significantly and expect the results from our Mainland watch retail operations to improve.





OPTICAL RETAIL BUSINESS

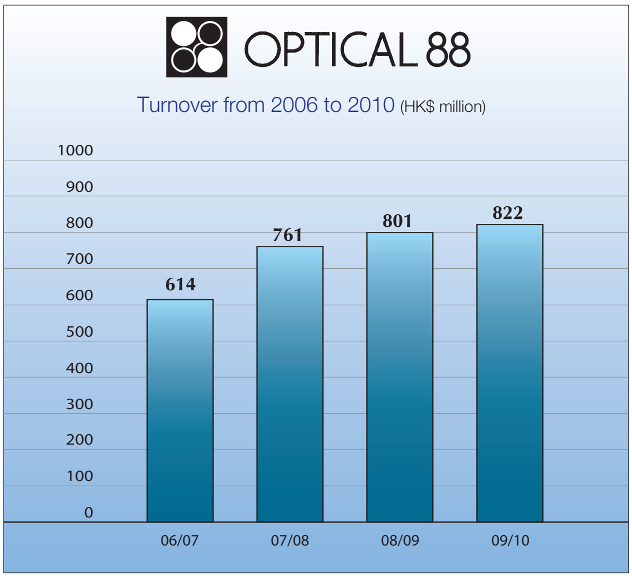
Our optical retail business posted an EBIT of HK$26 million up 14% from last year and turnover was marginally up 3%.

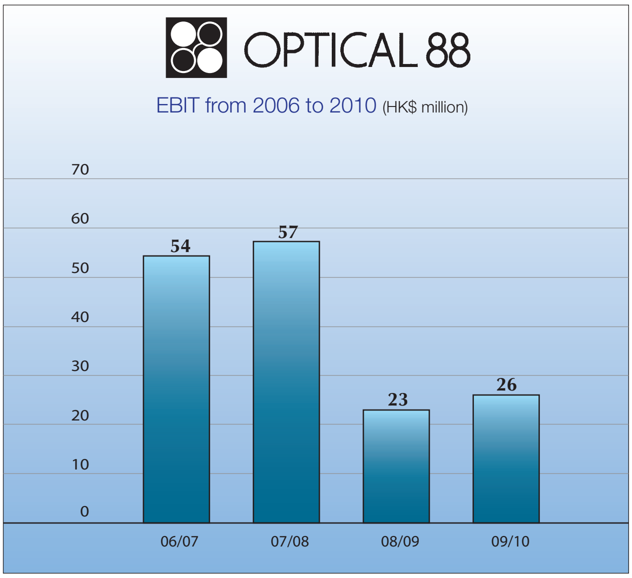
Intense market competition and the generally poor retail market sentiment checked turnover growth at our optical operations in Hong Kong. Nonetheless, these operations managed to maintain turnover. A lower EBIT of HK$17 million was recorded compared to HK$25 million last year, but the fall was largely due to a one-off expense incurred during the year for litigation against a third party which the Group considered necessary for the protection of its intellectual property rights. Otherwise, EBIT for this year would have been largely similar to that for the same period last year.

Macau posted an EBIT of HK$2 million compared to breakeven results last year as turnover edged up 7%.

Optical retailing operations in Singapore, Malaysia and Thailand returned an EBIT of HK$17 million compared to HK$10 million during the corresponding period last year. Turnover was up 2%. Although all three operations posted improved EBIT results, even better results would have been achievable if not for the general economic malaise.

Losses narrowed slightly at our Mainland optical operations and a loss of HK$10 million was recorded compared to HK$12 million last year. Turnover was up 28% but was insufficient to narrow losses further.





WATCH ASSEMBLY AND WHOLESALE TRADING

Our watch assembly and wholesale trading operations posted an EBIT of HK$7 million compared to nearly HK$35 million last year and turnover was down 18%.

The performance of our watch assembly unit, which produces for the Group, was less satisfactory compared to the previous year as we reduced stock inventory levels owing to the challenging external conditions.

As recovery prospects in Europe and the Middle East, traditional markets of our Swiss subsidiary, Universal Geneve S.A., continue to be poor, restructuring measures were undertaken at this subsidiary and as a result, a one-off provision of HK$6.4 million was made during the year under review. Due to this, a wider loss of HK$46 million was made compared to HK$36 million last year.

A significant milestone was achieved when Universal Geneve launched its collection with the self developed MICROTOR movement. However, as our traditional markets are weak, we have stopped any further development of the MICROTOR movement to significantly reduce product development costs. Further product development will be reconsidered when the Eurozone economy recovers. In terms of market development, we will now focus on Asia, particularly, Mainland China as measures have been implemented to re-engineer the "Universal Geneve" brand. We expect these strategic changes to significantly improve the performance of "Universal Geneve".

Turnover at the Thong Sia Group operating in Hong Kong, Singapore, Malaysia and Taiwan was dragged down by the harsh conditions and decreased by 14%. EBIT, however was only marginally down from last year and this business remained an EBIT contributor.

During the year, a new wholesale unit was set up to distribute the Group's inhouse watch brands and also exclusive agency brands. This new wholesale unit will complement our watch retail business. Sales have initially started on the Mainland and have so far been encouraging.

OUTLOOK

As the Mainland Chinese consumer market is so vast and consumer spending patterns shift rapidly, in order to maximise and expedite the Group's penetration into this market our long term business strategy is to add wholesale and franchising dimensions to the Group's existing retail business.

In the next year, we will continue with shop expansion plans in selective regions, in particular, Mainland China. The pace of development of our watch wholesale trading business on the Mainland will be intensified and new markets in other regions will also be explored. We also have plans to set up an optical franchising business on the Mainland as brand awareness of our "Optical 88" name grows.

As the external operating environment continues to improve and with economic growth forecast for some of the regions where we operate, we expect the Group to return an improved performance next year.

FINANCE

The Group's gearing ratio at balance sheet date was 38% (2009: 51%), which was calculated based on the Group's net debt of HK$319 million (2009: HK$406 million) and shareholders' funds of HK$848 million (2009: HK$789 million). The Group's net debt was calculated based on the Group's borrowings of HK$532 million (2009: HK$523 million) less the Group's bank balances and cash of HK$213 million (2009: HK$117 million). Of the Group's borrowings at balance sheet date, HK$405 million (2009: HK$407 million) were repayable within 12 months.

Of the Group's borrowings, 9% (2009: 5%) were denominated in foreign currencies. The Group's borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

As at 31st March 2010, the Group does not have any significant contingent liabilities.

STAFF

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As at 31st March 2010, the Group had 3,210 (2009: 3,231) employees.

I express my most sincere thanks and gratitude to colleagues and staff members for their commitment, hard work and loyalty to the Group during the year.

On behalf of the Board

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 21st July 2010

The directors submit their report together with the audited financial statements for the year ended 31st March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 33 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2010 are set out in the consolidated income statement on page 32.

Interim dividend of HK$0.01 (2009: nil) per ordinary share totalling HK$9,513,000 was paid during the year.

The directors recommend the payment of a final dividend of HK$0.01 (2009: HK$0.01) per ordinary share totalling HK$9,513,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

DONATIONS

During the year, the Group made charitable donations of HK$689,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March 2010, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK$355,637,000 (2009: HK$374,663,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

DIRECTORS AND INTERESTS IN CONTRACTS

The directors during the year were:

Wong Chong Po	
Joseph C. C. Wong	
Chu Kai Wah, Anthony	
Sakorn Kanjanapas	
Lau Tak Bui, Vincent	
Wu Chun Sang	(independent non-executive)
Wu Chi Man, Lawrence	(independent non-executive)
Kwong Yi Hang, Agnes	(independent non-executive)

In accordance with Bye-law 110(A), Mr. Chu Kai Wah, Anthony and Mr. Wu Chun Sang will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

During the year, Mr. Wong Chong Po, Mr. Joseph C. C. Wong, Mr. Chu Kai Wah, Anthony, and Mr. Lau Tak Bui, Vincent were eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to their management of the Group. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the year ended 31st March 2010 amounted to HK$3,833,000 (2009: HK$2,349,000).

Apart from the foregoing, no other contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

On 9th March 2005, a new share option scheme, replacing the previous scheme which was approved by the shareholders on 25th June 1997, for the employees, officers and directors of the Company and its subsidiaries (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiaries to subscribe for shares of the Company for a fixed period. The option period refers to a period which the Board may in its absolute discretion determine and specify, save that (a) for ease of administration, in the absence of a separate Board resolution at the time of grant specifying otherwise, such period should be seven years from the commencement date of the share option and (b) in any event such period shall expire not later than 10 years from the commencement date of the share option. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 95,134,002 shares. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. An offer of the grant of options must be accepted within 28 days from the commencement date of the relevant option period. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's business; to provide additional incentives to the employees, officers and directors of the Company and its subsidiaries and to promote the long term financial success of the Company by aligning the interests of Option Holder (any employee or a director of the Company or any subsidiary who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme or their legal personal representatives) to shareholders. The consideration payable on acceptance of the offer for the grant of an option is HK$1. The subscription price is determined by the Board at the time of grant of the relevant option and shall not be less than whichever is the higher of the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on the commencement date of the share option, which must be a business day; the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the commencement date of the share option; and the nominal value of a share. No option had been granted during the year and there was no option outstanding as at 31st March 2010.

As at 31st March 2010, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

With the exception of the Share Option Scheme of the Company, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31st March 2010, the interests and short positions of the directors, and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company – Ordinary shares

Long position in shares and underlying shares of the Company

	Number of shares					Approximate percentage of
	Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	issued share capital
Mr Wong Chong Po	1,215,000	–	300,378,959 *(Note 1)*	309,079,884 *(Note 2)*	310,294,884	32.62
Mr Joseph C. C. Wong	278,240,091	10,000	300,378,959 *(Note 1)*	–	578,629,050	60.82
Mr Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	47,452,056	–	300,378,959 *(Note 1)*	–	347,831,015	36.56
Mr Lau Tak Bui, Vincent	819,200	–	–	–	819,200	0.09

Notes:

(1) Yee Hing Company Limited, directly and indirectly through its subsidiaries, including Active Lights Company Limited and Thong Sia Company Limited, held 300,378,959 shares of the Company as at 31st March 2010. 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 300,378,959 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(2) Mr. Wong Chong Po is the executor of the estate of Mr. Wong Chue Meng (the "Estate") and is deemed to be interested in the interests in shares of the Company held by the Estate. As at 31st March 2010, the Estate directly held 8,700,925 shares and is also deemed to be interested in those 300,378,959 shares of the Company held directly or indirectly by Yee Hing Company Limited through the Estate's controlling interest in Dragon Master Investment Limited which owns 45% of the total issued ordinary shares of Yee Hing Company Limited. Mr. Wong Chong Po's deemed interest in such 300,378,959 shares of the Company by virtue of his capacity as the executor of the Estate duplicates his deemed interest through the Trust as described in Note 1 above.

(b) Subsidiaries

	Number of shares: Personal interests	Family interests	Corporate interests	Total	Approximate percentage of preference share as at 31st March 2010
(i) City Chain (Thailand) Company Limited – Preference shares[1]					
Mr. Wong Chong Po	200	–	208,800	209,000	99.52
Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52
Mr. Sakorn Kanjanapas	200	–	208,800	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares[2]					
Mr. Wong Chong Po	600	–	–	600	16.67
Mr. Joseph C. C. Wong	600	–	–	600	16.67
Mr. Sakorn Kanjanapas	600	–	–	600	16.67
(iii) Optical 88 (Thailand) Company Limited – Preference shares[3]					
Mr. Wong Chong Po	5,000	–	225,000	230,000	90.20
Mr. Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr. Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20

Notes:

(1) City Chain (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.

(2) Stelux Watch (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.

(3) Optical 88 (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

Save as disclosed below, the directors are not aware of any person (other than a director or chief executive of the Company or his/her respective associate(s)), who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31st March 2010:

Name		Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited		73,693,105	Beneficial owner	
		226,685,854	Interest of controlled corporation	
	Total:	300,378,959		31.57
Dragon Master Investment Limited		300,378,959	Interest of controlled corporation *(Note 1)*	31.57
Klayze Holdings Limited		300,378,959	Trustee of the Trust *(Note 2)*	31.57
Active Lights Company Limited		135,653,636	Beneficial owner	14.26
Thong Sia Company Limited		91,032,218	Beneficial owner	9.57
Mr. Chaiyasit Kanjanapas		85,303,000	Beneficial owner	8.97

Notes:

(1) Dragon Master Investment Limited holds 45% of the total issued ordinary shares of Yee Hing Company Limited.

(2) Klayze Holdings Limited holds 55% of the total issued ordinary shares of Yee Hing Company Limited as the trustee of the Trust.

All interests disclosed above represent long positions in shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	26%
– five largest suppliers combined	43%
Sales	
– the largest customer	1%
– five largest customers combined	2%

None of the directors, their associates or any shareholder (which of the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the directors of the Company, at least 25% of the issued share capital of the Company was held by public members as at the date of this report.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmations of independence from its independent non-executive directors, who have confirmed their independence as of 1st April 2009 up to and including 31st March 2010. The Company considers its independent non-executive directors to be independent.

CONNECTED TRANSACTIONS

The following continuing connected transactions are based on normal commercial terms agreed after arms' length negotiations between the parties and are in the ordinary and usual course of business of the Company. The continuing connected transactions are subject to the annual review, reporting and announcement requirements respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 to 14A.47 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and exempt from independent shareholders' approval.

CONTINUING CONNECTED TRANSACTIONS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2010

The following continuing connected transactions under the heading above have been reviewed by the directors of the Company (including the independent non-executive directors). The independent non-executive directors of the Company have confirmed that during the year all these transactions were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either (i) on normal commercial terms or (ii) where there was no available comparison on terms no less favourable to or from the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company had performed certain agreed upon procedures on the above transactions and confirmed that the transactions:

(a) had received approval from the directors of the Company;

(b) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) had not exceeded the relevant caps as previously announced.

(1) Purchase of optical products from connected parties

Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Purchaser: Certain retail subsidiaries of the Company under Retail Purchase Agreements and certain wholesale subsidiaries of the Company under Wholesale Purchase Agreements

Vendor: Vision PRO Trading Company Limited and its subsidiary companies ("Vision Pro Group")

At the date of the announcement on 26th March 2007, it was disclosed that Vision Pro Group was an 87% indirectly owned subsidiary of Yee Hing Company Limited ("Yee Hing"), a substantial shareholder of the Company holding approximately 36% of its issued share capital. Therefore, Vision Pro Group was a connected person of the Company by virtue of the fact that it was an associate of a connected person of the Company.

Description and purpose of the transaction:

On 1st April 2004, the Group, through certain subsidiaries, entered into the Retail Purchase Agreements with Vision Pro Group to record the terms of continuing purchases of optical products by the Group for its retail operations for the period from 1st April 2004 to 31st March 2007. On 1st April 2005, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd (collectively referred to as "Thong Sia Companies") entered into the Wholesale Purchase Agreements with Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1st April 2005 to 31st March 2008 for their wholesale distribution business. The Group continued to make purchases of suitable optical products on a continuing basis from Vision Pro Group for its retail and wholesale operations and with the expiration of the Retail Purchase Agreements on 31st March 2007 decided to streamline its relationship with Vision Pro Group. It was the intention of the Group to continue respectively with purchasing optical products under the Retail Purchase Agreements from Vision Pro Group after 31st March 2007, and continue with the ongoing purchases of optical products under the Wholesale Purchase Agreements, also from the Vision Pro Group. As a result, on 26th March 2007, the Group, through certain subsidiaries,

(i) entered into the Renewal Retail Purchase Agreements for the period from 1st April 2007 to 31st March 2010;

(ii) terminated the Wholesale Purchase Agreements with effect from 1st April 2007, earlier than the contractual expiration date of 31st March 2008; and

(iii) entered into the Renewal Wholesale Purchase Agreements with expiry dates to coincide with that of the Renewal Retail Purchase Agreements.

The above renewal agreements were entered into with Vision Pro Group to record the terms of continuing purchases of optical products by the Group.

Terms of the transaction:

For a period of three years from 1st April 2007 to 31st March 2010 with major terms:

(A) The Renewal Retail Purchase Agreements

The Group will purchase optical products from Vision Pro Group typically for cash with payment terms of 30 to 60 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Group from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Group than those offered by independent third party suppliers to the Group.

(B) *The Renewal Wholesale Purchase Agreements*

Thong Sia Companies will purchase optical products from Vision Pro Group typically for cash with payment terms of 90 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Thong Sia Companies from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Thong Sia Companies than those offered by independent third party suppliers to the Thong Sia Companies.

The above agreements were further renewed on 31st March 2010 for another three years to 31st March 2013.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$9,442,000.

Nature and extent of the connected person's interest in the transaction:

The estimated annual amount of purchases to be made by the Group from Vision Pro Group under the above renewal agreements have been aggregated in accordance with the aggregation of transactions provisions under Rule 14A.25 of the Listing Rules. The Caps for the continuing purchases of optical products from Vision Pro Group under the above renewal agreements are HK$11,800,000, HK$12,400,000 and HK$13,000,000 for each of the financial years ended 31st March 2008, 2009 and 2010 respectively. The Caps were determined on the following basis:

(i) historical transaction amounts for the period from 1st April 2003 up to and including 30th September 2006;

(ii) additional brands of optical products expected to be purchased by the Group from Vision Pro Group in the financial year ended 31st March 2008; and

(iii) the estimates by the Group of the pace of growth of its optical wear business with respect to the existing brands of optical products purchased from Vision Pro Group and the establishment of new retail stores.

Based upon information available to the directors at the date of an announcement on 26th March 2007, the directors considered that the Caps were fair and reasonable. Nevertheless, if during any financial year from 1st April 2007 to 31st March 2010, the aggregate annual consideration for such transactions exceeds the Cap for the relevant financial year, the Company will take steps as required to ensure compliance with the Listing Rules. The directors (including the independent non-executive directors) are of the opinion that the terms of the above renewal agreements are based on normal commercial terms agreed after arms' length negotiations between the parties, and are fair and reasonable. Furthermore, the directors consider that the transactions contemplated under the above renewal agreements are in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

Renewal Retail Purchase Agreements and Renewal Wholesale Purchase Agreements further renewed on 31st March 2010 (referred to as "2010 Renewal Retail Purchase Agreements" and "2010 Renewal Wholesale Purchase Agreements" respectively):

Based on the annual reports of the Group for the years ended 31st March 2008 and 2009 and the unaudited financial statements of the Group for the period from 1st April 2009 to 28th February 2010, the amount of purchases of optical products by the Group from Vision Pro Group amounted to HK$9.8 million, HK$9.9 million and HK$7.9 million respectively. The aggregate annual caps for the 2010 Renewal Retail Purchase Agreements and the 2010 Renewal Wholesale Purchase Agreements have been set at HK$8.75 million, HK$9 million and HK$9.25 million for each of the years ending 31st March 2011, 2012 and 2013 respectively. The annual caps for the years ending 31st March 2011, 2012 and 2013 are based on the aggregate amount of purchases of optical products by the Group from the Vision Pro Group under the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements for the period from 1st April 2009 to 28th February 2010 annualized into one year and with allowance for an average growth rate of 2.5% per annum during the three years ending 31st March 2013.

(2) Manufacture and supply of optical products by a connected person

Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Purchaser: Two wholly-owned subsidiaries of the Company, which collectively are principally engaged in the trading of optical frames and sunglasses ("Optical Products")

Vendor: International Optical Manufacturing Company Limited ("IOM")

At the date of the announcement on 19th June 2008, it was disclosed that Yee Hing, the controlling shareholder of the Company, had an effective controlling interest of approximately 87% in IOM.

Description and purpose of the transaction:

IOM agrees to manufacture for and supply to the Group, and the Group agrees to purchase from IOM, house-brand Optical Products subject to the terms and conditions contained in the Manufacturing and Supply Agreement. The house-brand Optical Products are purchased for the Group's retail operations.

Terms of the transaction:

The Group shall engage IOM to supply and manufacture house-brand Optical Products typically for cash with payment terms of 60 days upon receipt of invoice. The terms of purchase will be determined on an individual purchase order basis based on the prevailing industry conditions and the purchases will be on normal commercial terms. At the date of the announcement on 31st March 2010, it was disclosed that the agreement was extended for a further two years to 31st March 2013 ("Extended Manufacturing and Supply Agreement").

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$1,629,000

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the manufacture and supply of house-brand Optical Products. The Caps for the financial years ended 31st March 2009 and 2010 were HK$3,500,000 and HK$4,200,000 respectively and for the financial year ending 2011 is HK$5,040,000.

Reduction of 2011 annual cap for the Manufacturing and Supply Agreement:

The annual cap amounts in respect of the Manufacturing and Supply Agreement set for the period from 20th June 2008 to 31st March 2009, for the financial year ended 31st March 2010 and for the financial year ending 31st March 2011 were HK$3.50 million, HK$4.20 million and HK$5.04 million respectively. The actual purchases of Optical Products from IOM for the period from 20th June 2008 to 31st March 2009 were HK$288,000 and were below the annual cap of HK$3.50 million set for the period. At the date of the announcement on 31st March 2010, the actual purchases of Optical Products from IOM for the period from 1st April 2009 to 28th February 2010 were HK$1,525,000 and the anticipated purchases for the year ending 31st March 2010 were less than the annual cap of HK$4.20 million set for the year. In light of the then current market conditions and historical purchases records, the Group decided to reduce the annual cap for the Manufacturing and Supply Agreement for the year ending 31st March 2011 from HK$5.04 million to HK$3 million (hereinunder referred to as "Reduced Annual Cap"). The Reduced Annual Cap has been accounted for in the calculation of the percentage ratios relevant to the transactions related to the 2010 Renewal Retail Purchase Agreements, the 2010 Renewal Wholesale Purchase Agreement and the Extended Manufacturing and Supply Agreement pursuant to Rule 14A.34(1) of the Listing Rules.

Extended Manufacturing and Supply Agreement:

Based on the annual report of the Group for the year ended 31st March 2009 and the unaudited financial statements of the Group for the period from 1st April 2009 to 28th February 2010, the amount of purchases of Optical Products by the Group from IOM under the Manufacturing and Supply Agreement amounted to HK$288,000 and HK$1,525,000 respectively. At the date of the announcement on 31st March 2010, the Group's purchases of Optical Products from IOM during the period from 20th June 2008 to 31st March 2009 were below the annual cap and the anticipated purchases for the year ending 31st March 2010 were below the annual cap set for the year for the Manufacturing and Supply Agreement, the Group proposes to set the annual caps for the Extended Manufacturing and Supply Agreement at a level lower that those set for the Manufacturing and Supply Agreement. The proposed annual cap for the Extended Manufacturing Supply Agreement for each of the years ending 31st March 2012 and 2013 is HK$3 million and has been set based on the Group's past experience and best estimation of the maximum amount of future purchases.

(3) Leasing of properties from connected parties

(A) Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Tenant: Thong Sia Company (Singapore) Private Limited ("TSS")

Landlord: Mengiwa Private Limited ("Mengiwa")

At the date of the circular to the Company's shareholders on 31st August 2005, it was disclosed that the Estate held more than a 30% equity interest in Mengiwa, Mengiwa was a connected person (as defined in the Listing Rules) of the Group by virtue of the fact that it was an associate of the Estate which was a connected person (as defined in the Listing Rules) of the Group. At the date of the announcement on 22nd July 2008 for renewal of the lease, it was disclosed that the Estate held a controlling interest in Mengiwa and was deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. In this connection, Mengiwa was an associate of the Estate and thus was a connected person of the Company. The entering into of this tenancy agreement therefore constituted a continuing connected transaction for the Company under the Listing Rules.

Description and purpose of the transaction:

Tenancy agreement in respect of the lease of Units #B2-00, #01-01 and #04-00 of Thongsia Building, No.30 Bideford Road, Singapore as office, showroom, warehouse and service centre of the tenant.

Terms of the transaction:

For a period of 3 years from 1st July 2005 up to and including 30th June 2008 at an aggregate sum of the annual rent, management fee and air-conditioning charge of S$420,000. The Tenancy Agreement was renewed on 22nd July 2008 for two years commencing from 1st July 2008 up to and including 30th June 2010 at a monthly rental of S$82,650 per month (exclusive of management fee and air-conditioning charge) payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month. There were rent-free periods of two months in total commencing respectively from 1st June 2009 up to and including 30th June 2009, and from 1st June 2010 up to and including 30th June 2010.

The tenancy agreement was renewed on 16th December 2009 for a further 33 months from 1st July 2010 to 31st March 2013 ("Thong Sia Building Tenancy Agreement 2010") with rent-free periods of 3 months in total commencing respectively from 1st March 2011 and up to and including 31st March 2011, from 1st March 2012 and up to and including 31st March 2012, and from 1st March 2013 and up to and including 31st March 2013. The monthly rental is S$50,404.22 (equivalent to approximately HK$282,264) per calendar month (exclusive of management fees and air-conditioning charges), payable monthly in advance in cash by the tenant on the first day of each and every calendar month.

Total consideration of the transaction for the financial year ended 31st March 2010:

S$909,150 (equivalent to HK$4,955,000)

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the rental for the use of office, showroom, warehouse and service centre of the tenant. Based on the monthly rent payable by the tenant under the term of the tenancy agreement, the Caps were set at S$105,000, S$743,850, S$909,150 and S$165,300 for each of the periods from 1st April 2008 to 30th June 2008, from 1st July 2008 to 31st March 2009, from 1st April 2009 to 31st March 2010 and from 1st April 2010 to 30th June 2010 respectively.

Thongsia Building Tenancy Agreement 2010:

Pursuant to the Thongsia Building Tenancy Agreement 2010, the monthly rental will be revised downward from S$82,650 (equivalent to approximately HK$462,840) to S$50,404.22 (equivalent to approximately HK$282,264). The monthly rental was determined on an arm's length basis having taken into account the valuation conducted by an independent property valuer dated 23rd November 2009, indicating that the renewal rental rate under the Thongsia Building Tenancy Agreement 2010 is favourable to the Group as compared with the then prevailing market rental values of the subject premises. Accordingly, the directors consider the Thongsia Building Tenancy Agreement 2010 to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and its shareholders as a whole. Based on the monthly rental rate mentioned above, the annual rental (and also the annual cap) will be S$568,533.76 (equivalent to approximately HK$3,183,789) after taking into account the two months rent-free period for the financial year ending 31st March 2011, and S$554,446.42 (equivalent to approximately HK$3,104,900) after taking into account the one month rent-free period for each of the two financial years ending 31st March 2013 respectively.

(B) Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Tenant: Stelux Holdings Limited ("SHL"), a wholly-owned subsidiary of the Company

Landlord: Mengiwa Property Investment Limited ("MPIL")

At the date of the announcement on 19th December 2007, it was disclosed that Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:

Tenancy agreement in respect of the lease of 27/F, portion of 28/F, office unit 1501 with storeroom 1A on 15/F, office units 502, 503, 505 and 506 on 5/F and 12 carparking spaces of Stelux House as headquarters of the Group.

Terms of the transaction:

For the period from 1st April 2008 to 31st March 2010 at a monthly rental of HK$453,107.86 exclusive of management fee, rates and government rent payable in advance on the first day of each calendar month with a rent free period of one month from 1st April 2008 up to and including 30th April 2008. Office unit 1501 with storeroom 1A on 15/F were surrendered on 30th June 2009. Tenancy agreements in respect of the other units and carparking spaces were renewed on 16th December 2009 for another three years to 31st March 2013.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$5,078,000

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the rental of office premises, storeroom and car parking spaces of Stelux House. Based on the monthly rent payable by SHL during the term of the tenancy agreements (together with the tenancy agreement in respect of the lease of Unit 1503 on the 15/F and storeroom 1206A on the 12/F of Stelux House as mentioned in (C) below), the Caps for the two financial years ended 31st March 2009 and 2010 were set at HK$5,260,000 and HK$5,750,000 respectively. At the date of a subsequent announcement on 25th February 2009, it was disclosed that the tenant would surrender Unit 1501, 1503, storeroom 1501A and 1206A to the landlord no later than 30th June 2009. Storeroom 1206A was surrendered on 15th March 2009. Unit 1501, 1503 and storeroom 1501A were surrendered on 30th June 2009. Therefore, the Caps for the financial years ended 31st March 2009 and 31st March 2010 were reduced to HK$5,258,000 and HK$5,176,000 respectively.

(C) Period of transaction:

From 1st April 2009 to 30th June 2009

Parties and their connected relationship:

Tenant: SHL

Landlord: MPIL

At the date of the announcement on 19th December 2007, it was disclosed that Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:

Tenancy agreement in respect of the lease of Unit 1503 on the 15/F and storeroom 1206A on the 12/F of Stelux House as staff training room and storeroom of the tenant.

Terms of the transaction:

A term of 27 months and 13 days commencing from 19th December 2007 up to and including 31st March 2010 at a rental of HK$18,255.80 per calendar month (exclusive of rates, government rent and management charges) for office unit 1503 and HK$4,300.00 per calendar month (inclusive of rates, government rent and management charges) for storeroom 1206A payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month, there will be a rent-free period of one month commencing from 19th December 2007 up to and including 18th January 2008 (except for the storeroom). At the date of a subsequent announcement on 25th February 2009, it was disclosed that the tenant would surrender the premises no later than 30th June 2009. Storeroom 1206A was surrendered on 15th March 2009 and Unit 1503 was surrendered on 30th June 2009.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$55,000

Nature and extent of the connected person's interest in the transaction:

The annual Cap for this transaction has been set at the approximate rental payable by the tenant to the landlord under the terms of the tenancy agreement. The Caps for the financial years ended 31st March 2009 and 2010 were included in (B) above.

(D) Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Tenant: Thong Sia Watch Company Limited ("Thong Sia Watch")

Landlord: MPIL

At the date of the announcement on 19th July 2006, it was disclosed that Thong Sia Watch was a 96% majority owned subsidiary of the Company. Yee Hing ultimately held approximately 60% of the issued share capital of the Company. MPIL was a wholly-owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:

Tenancy agreement in respect of the lease of office premises (the whole of 21/F), with a gross floor area of approximately 13,300 sq. feet and 3 carparking spaces at the basement of Stelux House. The Company, including its major subsidiaries, has its headquarters located at Stelux House. Thong Sia Watch was acquired by the Company at the end of September 2005. Relocating the operations of Thong Sia Watch to Stelux House improves operational efficiency and helps to reduce rental costs.

Terms of the transaction:

The tenancy agreement dated 19th July 2006 is for a term of two years eight months and thirteen days from 19th July 2006 to 31st March 2009 (both days inclusive) with rent free periods from 19th July 2006 to 18th August 2006, from 19th July 2007 to 18th August 2007 and from 19th July 2008 to 10th August 2008 at a monthly rental for the office of HK$130,340 exclusive of rates, government rent, management fees and other outgoings. For the carparking spaces from 19th July 2006 to 31st March 2009 at a monthly rental of HK$9,450 inclusive of rates, government rent and management fees. The tenancy agreement was renewed on 25th February 2009 for a term of one year from 1st April 2009 up to and including 31st March 2010 at a monthly rental for the office of HK$119,700 per calendar month (exclusive of management fees, rates and government rent) and HK$9,450 for the three car parking spaces per calendar month (inclusive of rates, government rent and management charges), both payable monthly in advance in cash by the tenant on the first day of each and every calendar month. The tenancy agreement was renewed on 16th December 2009 for a further three years to 31st March 2013.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$1,550,000

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the rental of office premises and carparking spaces. The Caps for the three financial years ended 31st March 2007, 2008 and 2009 are HK$1,100,000, HK$1,600,000 and HK$1,600,000 respectively. The Cap under the renewed tenancy agreement for the financial year ended 31st March 2010 is HK$1,550,000.

Stelux House Tenancy Agreements 2010 renewed on 16th December 2009:

The tenancy agreements as mentioned in section (B) and (D) above, were renewed on 16th December 2009 for a further three years to 31st March 2013 (collectively referred to as "Stelux House Tenancy Agreements 2010"). The total rental is HK$470,880 per calendar month comprising HK$424,180 per calendar month for the office premises (exclusive of rates, government rent and management charges) and HK$46,700 for the 15 car parking spaces per calendar month (inclusive of rates, government rent and management charges), both payable monthly in advance in cash by the tenant on the first day of each and every calendar month.

SHL, as tenant, is granted the naming right of Stelux House and each of SHL and Thong Sia Watch is granted an option, but not an obligation, to renew the relevant tenancy agreements with the landlord every three years for three more years for a maximum of 18 years commencing from 1st April 2013 at the then prevailing open market rent. The Company will comply with all applicable requirements under the Listing Rules in the event of renewal of the subject tenancy agreements.

Pursuant to the Stelux House Tenancy Agreements 2010, the monthly rental will be revised downward from HK$542,437.82 to HK$470,880. Based on the monthly rental mentioned above, the total annual rental (also the annual cap) will be HK$5,650,560 for each of the three financial years ending 31st March 2013.

The monthly rental was determined on an arm's length basis having taken into account the valuations on the office premises conducted by an independent property valuer dated 16th November 2009, which indicate that the renewal rental rates under the Stelux House Tenancy Agreements 2010 are favourable to the Group as compared with the then prevailing market rental values of the subject premises, while the rental rates for car parking spaces were determined with reference to the prevailing market rental rates. Accordingly, the directors consider the Stelux House Tenancy Agreements 2010 to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

(E) Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Tenants: Certain wholly-owned subsidiaries of the Company

Landlords: Active Lights Company Limited and Thong Sia Company Limited ("TSCL"), each of them as landlord

At the date of the announcement on 22nd July 2008, it was disclosed the Estate was deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. Furthermore, both Active Lights Company Limited and TSCL were subsidiaries of Yee Hing. In this connection, each of Active Lights Company Limited and TSCL was an associate of the Estate and thus was a connected person of the Company. The entering into of the tenancy agreements therefore constituted continuing connected transactions for the Company under the Listing Rules.

Description and purpose of the transaction:

The tenancy agreements relate to the leasing or licensing of certain properties from the landlords at different locations in Hong Kong ("Warehouse Leases and License").

Terms of the transaction:

For twenty-one months commencing from 1st July 2008 up to and including 31st March 2010 at an aggregated monthly rental of HK$71,440 payable monthly in advance in cash from internal funds by the tenants on the first day of each and every calendar month. The Warehouse Leases and Licence were renewed on 16th December 2009 for further three years to 31st March 2013 ("Warehouse Leasing and Licence Agreements 2010").

All monthly rental/license fee under the Warehouse Leasing and License Agreements 2010 will remain unchanged and are the same as the monthly rental/license fee under the Warehouse Leases and License. The monthly rental/license fee were determined on an arm's length basis after having taken into account the then prevailing market rates for properties in the vicinity of the different relevant locations of the warehouse spaces and taking into account any relocation costs which may otherwise be incurred by the Group. Accordingly, the directors consider the Warehouse Leasing and License Agreements 2010 to be on normal commercial terms and to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$857,000

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the rental of properties for use as warehouses. Based on the monthly rent payable by the tenants under the term of the tenancy agreements, the Caps were set at HK$642,960 and HK$857,280 for each of the periods from 1st July 2008 to 31st March 2009 and from 1st April 2009 to 31st March 2010 respectively.

Warehouse Leasing and License Agreements 2010:

Based on the monthly rental/license fee mentioned above, the total annual rental/license fee (and also the annual Cap) will be HK$935,280 for each of three financial years ending 31st March 2013 respectively.

(4) Provision of management and property agency liaison services

Period of transaction:

From 1st April 2009 to 31st March 2010

Parties and their connected relationship:

Agent: Stelux Properties Agency Limited ("SPAL"), a wholly-owned subsidiary of the Company

Principal: MPIL

At the date of the announcement on 19th December 2007, it was disclosed Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:

SPAL entered into the management and property agency liaison services agreement ("Service Agreement") with MPIL for the provision of the following services ("Services"):

(a) Contract administration with respect to contracts entered into between MPIL and third parties from time to time;

(b) property agency liaison and tenancy management;

(c) management of the property manager of Stelux House; and

(d) other miscellaneous administrative services.

SPAL had been providing the Services to the landlord of Stelux House since 1998 and had accumulated the relevant knowledge and experience. Yee Hing had requested SPAL to continue to manage the Property so as to maintain continuity and the quality of service.

Terms of the transaction:

HK$178,500 per calendar month (in the first year during the duration of the Services Agreement) payable in advance in cash on the first day of each calendar month and for the period from 1st April 2008 to 31st March 2010. The annual fee (other than that in the first year during the duration of the Service Agreement) is subject to increment with reference to the actual increase in costs incurred by SPAL relating to the Services by not more than 10% each year. The Service Agreement was renewed on 16th December 2009 for a further three years to 31st March 2013 ("Service Agreement 2010"). The remuneration is HK$178,500 per calendar month (in the first year ending 31st March 2011) payable in advance in cash on the first day of each and every calendar month. Parties to the Service Agreement 2010 shall negotiate and agree in good faith to increase the remuneration on an annual basis for the second year and the third year by not more than 10% over that in the preceding year with reference to the actual increase in costs (including but not limited to the related staff salaries) incurred by the Group with respect to the provision of the Services. In the event that no agreement is reached between the parties in negotiating the remuneration for the next year, the remuneration shall remain unchanged.

Total consideration of the transaction for the financial year ended 31st March 2010:

HK$2,142,000

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the provision of Services. The Caps for the financial years ended 31st March 2009 and 2010 were HK$2,200,000 and HK$2,400,000 respectively.

Service Agreement 2010:

The monthly remuneration to be received by the Group for the year ending 31st March 2011 is the same as that under the Service Agreement for the three years ended 31st March 2010. The remuneration was arrived at after arm's length negotiations between the parties and with reference to the estimate of the costs to be incurred by the Company with respect to the provision of the Services in the financial year ending 31st March 2011.

Accordingly, the directors consider this continuing connected transaction and the terms of the Service Agreement 2010 to be on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

With reference to the monthly remuneration to be received by the Company under the Service Agreement 2010 during its tenure, the Annual Cap Amounts for this continuing connected transaction have been set at HK$2,142,000, HK$2,356,000 and HK$2,591,820 for each of the three financial year ending 31st March 2013 respectively.

The above continuing connected transactions also constitute related party transactions and are disclosed in note 32 to the financial statements.

Connected transaction of the Group after 31st March 2010 in connection with acquisition of property from a connected person

Date of transaction:	6th May 2010
Subject Matter:	The property acquisition agreement sets out the principal terms and conditions of the transfer of the Property between the Group and the Connected Person.
Property:	Freehold land and two office buildings with total floor area of approximately 2,730 SQM located at Nos. 347 and 349, Muangthong Thani, Soi Chaengwattana-Pakkred 33, Chaengwattana Road, Bangpud Sub-district, Pakkred District, Nonthaburi Province, Thailand

Parties and their connected relationship:

Vendor:	Chumphol Kanjanapas (alias Joseph C. C. Wong) ("Connected Person")
Purchaser:	Optical 88 (Thailand) Limited (the "Purchaser"), an indirect subsidiary of the Company, which is principally engaged in optical products retailing in Thailand. The Purchaser may designate any subsidiary within the Group as transferee by giving notice in writing to the Connected Person.

At the date of the announcement on 6th May 2010, its was disclosed that the Connected Person was the executive director, Vice Chairman and Chief Executive Officer of the Company and had 60.82% interests in the Company through his personal interest of 29.24% or 278,240,091 shares of the Company, family interest of 0.01% or 10,000 shares of the Company and a trust interest of 31.57% or 300,378,959 shares of the Company in which he was deemed to have a full interest as he was one of the beneficiaries, he was a connected person of the Company as defined in the Listing Rules.

Description and purpose of the transaction:

The Company's subsidiaries in Thailand have been in business for over 15 years and occupying office premises in the same district of the Property under operating leases. As the office premises will not be available for extension and in line with the Company's business strategy in Thailand, the directors are of the view that the Group should acquire a property for its own use. The transaction provides an opportunity for the Company to establish permanent office premises for its subsidiaries in Thailand in the same district as the existing office premises occupied and will minimise any disruption to existing employees and business operations. Furthermore, the Property provides sufficient floor area for current operations in Thailand with room for further business expansion. The directors are of the view that the transactions has been entered into under normal commercial terms agreed after arm's length negotiations between the relevant parties, and is fair and reasonable. Furthermore, the directors consider that the transaction is entered into in the usual and ordinary course of business of the Group and is in the interests of the Group and its shareholders as a whole.

Terms of the transaction:

On 6th May 2010, the Company, through its indirect subsidiary, entered into an agreement with the Connected Person in which the Group agreed to acquire the Property from the Connected Person ("Property Acquisition Agreement"). Apart from the above, the other principal terms of the Property Acquisition Agreement are as follows:

Other fees: The registration fees and the stamp duty shall be borne by the Purchaser and the Connected Person in equal shares.

Payment terms: The Consideration payable by the Purchaser shall be payable in the following manner:

(a) an initial deposit and part payment of THB27,000,000 representing 90% of the Consideration will be payable upon the signing of the Property Acquisition Agreement;

(b) a balance payment of THB3,000,000 representing the remaining 10% of the Consideration will be payable upon the completion of the registration of the sale and purchase of the Property at the competent Thai registry office from the Connected Person to the Purchaser or any subsidiary within the Group designated by the Purchaser as transferee.

Completion: Upon the registration of the sale and purchase of the Property at the competent Thai registry office on or before 30th June 2010 or such other date as the Purchaser and the Connected Person may mutually agree on in writing.

The total consideration was THB30,000,000 in cash or equivalent to approximately HK$7,200,000.

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the acquisition of office property for the Group's own use.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 21st July 2010

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STELUX HOLDINGS INTERNATIONAL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Stelux Holdings International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 91, which comprise the consolidated and company balance sheets as at 31st March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STELUX HOLDINGS INTERNATIONAL LIMITED (Continued)
(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st July 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Revenues	5	**2,370,169**	2,443,458
Cost of sales	9	**(947,447)**	(975,955)
Gross profit		**1,422,722**	1,467,503
Other gains/(losses), net	6	**16,041**	(9,775)
Other income	7	**18,821**	18,761
Selling expenses	9	**(1,089,377)**	(1,095,817)
General and administrative expenses	9	**(234,303)**	(249,819)
Other operating expenses	9	**(58,789)**	(48,671)
Operating profit		**75,115**	82,182
Finance costs	11	**(11,749)**	(16,458)
Profit before income tax		**63,366**	65,724
Income tax expense	12	**(38,189)**	(32,073)
Profit for the year		**25,177**	33,651
Attributable to:			
Equity holders of the Company		**24,630**	33,154
Minority interests		**547**	497
		25,177	33,651
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company – Basic and diluted	14	**2.59**	3.48

	Note	**2010** **HK$'000**	2009 HK$'000
Dividends	15	**19,026**	9,513

The notes on pages 39 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Profit for the year		**25,177**	33,651
Other comprehensive income:			
Exchange differences		**58,810**	(59,546)
Revaluation of available-for-sale financial assets	21	**(5,536)**	965
Other comprehensive income for the year, net of tax		**53,274**	(58,581)
Total comprehensive income for the year		**78,451**	(24,930)
Attributable to:			
Equity holders of the Company		**77,412**	(24,837)
Minority interests		**1,039**	(93)
Total comprehensive income for the year		**78,451**	(24,930)

The notes on pages 39 to 91 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**184,476**	205,195
Investment properties	17	**41,200**	35,000
Prepayment of lease premium	18	**180,203**	186,298
Intangible assets	20	**24,178**	23,451
Deferred tax assets	29	**46,244**	45,548
Available-for-sale financial assets	21	**12,587**	18,123
		488,888	513,615
Current assets			
Stocks	22	**728,385**	790,719
Debtors and prepayments	23	**323,542**	335,800
Bank balances and cash	24	**213,184**	117,386
		1,265,111	1,243,905
Total assets		**1,753,999**	1,757,520
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**752,625**	694,239
Shareholders' funds		**847,759**	789,373
Minority interests		**4,968**	4,253
Total equity		**852,727**	793,626

The notes on pages 39 to 91 are an integral part of these financial statements.

	Note	**2010** **HK$'000**	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	29	**2,483**	1,312
Borrowings	28	**127,409**	116,312
		129,892	117,624
Current liabilities			
Creditors and accruals	27	**354,714**	422,078
Income tax payable		**11,741**	16,704
Borrowings	28	**404,925**	407,488
		771,380	846,270
Total liabilities		**901,272**	963,894
Total equity and liabilities		**1,753,999**	1,757,520
Net current assets		**493,731**	397,635
Total assets less current liabilities		**982,619**	911,250

Wong Chong Po
Chairman

Joseph C.C. Wong
Vice Chairman and Chief Executive Officer

The notes on pages 39 to 91 are an integral part of these financial statements.

BALANCE SHEET

As at 31st March 2010

	Note	**2010 HK$'000**	2009 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	19	**–**	–
Current assets			
Amount due from a subsidiary	19	**451,300**	471,980
Debtors and prepayments		**463**	463
Bank balances and cash	24	**33**	33
		451,796	472,476
Total assets		**451,796**	472,476
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**355,637**	374,663
Total equity		**450,771**	469,797
LIABILITIES			
Current liabilities			
Creditors and accruals	27	**1,025**	2,679
Total liabilities		**1,025**	2,679
Total equity and liabilities		**451,796**	472,476
Net current assets		**450,771**	469,797
Total assets less current liabilities		**450,771**	469,797

Wong Chong Po
Chairman

Joseph C.C. Wong
Vice Chairman and
Chief Executive Officer

The notes on pages 39 to 91 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2010

	Attributable to the equity holders of the Company					
	Share capital (Note 25) HK$'000	**Other reserves** (Note 26) HK$'000	**Retained earnings** (Note 26) HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1st April 2008	95,134	44,786	702,830	842,750	4,751	847,501
Profit for the year	–	–	33,154	33,154	497	33,651
Other comprehensive income:						
Exchange differences	–	(58,956)	–	(58,956)	(590)	(59,546)
Revaluation of available-for-sale financial assets	–	965	–	965	–	965
Total other comprehensive income	–	(57,991)	–	(57,991)	(590)	(58,581)
Total comprehensive income	–	(57,991)	33,154	(24,837)	(93)	(24,930)
Dividends paid	–	–	(28,540)	(28,540)	(405)	(28,945)
At 31st March 2009	95,134	(13,205)	707,444	789,373	4,253	793,626
At 1st April 2009	**95,134**	**(13,205)**	**707,444**	**789,373**	**4,253**	**793,626**
Profit for the year	**–**	**–**	**24,630**	**24,630**	**547**	**25,177**
Other comprehensive income:						
Exchange differences	**–**	**58,318**	**–**	**58,318**	**492**	**58,810**
Revaluation of available-for-sale financial assets	**–**	**(5,536)**	**–**	**(5,536)**	**–**	**(5,536)**
Total other comprehensive income	**–**	**52,782**	**–**	**52,782**	**492**	**53,274**
Total comprehensive income	**–**	**52,782**	**24,630**	**77,412**	**1,039**	**78,451**
Dividends paid	**–**	**–**	**(19,026)**	**(19,026)**	**(324)**	**(19,350)**
At 31st March 2010	**95,134**	**39,577**	**713,048**	**847,759**	**4,968**	**852,727**

The notes on pages 39 to 91 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**210,646**	120,174
Interest paid		**(11,803)**	(16,821)
Hong Kong profits tax paid		**(14,462)**	(19,632)
Hong Kong profits tax refund		**203**	–
Overseas profits tax paid		**(28,041)**	(37,577)
Overseas profits tax refund		**938**	–
Net cash generated from operating activities		**157,481**	46,144
Cash flows from investing activities			
Purchase of property, plant and equipment		**(64,300)**	(82,856)
Purchase of an investment property		**–**	(38,594)
Proceeds from sale of property, plant and equipment		**852**	1,912
Interest received		**139**	637
Dividends received		**2,526**	2,907
Net cash used in investing activities		**(60,783)**	(115,994)
Cash flows from financing activities			
Drawdown of bank loans		**511,899**	477,344
Repayment of bank loans		**(505,125)**	(422,465)
Capital element of finance lease payments		**(889)**	(751)
Dividends paid to the Company's shareholders		**(19,026)**	(28,540)
Dividends paid to minority shareholders		**(324)**	(405)
Net cash (used in)/generated from financing activities		**(13,465)**	25,183
Net increase/(decrease) in cash and cash equivalents		**83,233**	(44,667)
Cash and cash equivalents at beginning of year		**117,386**	166,567
Effect of foreign exchange rate changes		**12,565**	(4,514)
Cash and cash equivalents at end of year		**213,184**	117,386
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**213,184**	117,386

The notes on pages 39 to 91 are an integral part of these financial statements.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in Note 33 to financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements have been approved by the Board of Directors on 21st July 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Adoption of new and revised standards and amendments to standards

In 2010, the Group adopted the following new and revised standards and amendments to standards issued by the Hong Kong Institute of Certified Public Accountants, which become effective for accounting periods beginning on or after 1st April 2009:

- HKAS 1 (revised), 'Presentation of financial statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new and revised standards and amendments to standards (Continued)

- HKFRS 7, 'Financial Instruments – Disclosures' (amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments' replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2009 in Note 8 have been restated. However, such restatement in note disclosure does not have any impact on the consolidated balance sheets.

- HK(IFRIC)-Int 13, 'Customer loyalty programmes' addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. There is no material impact to the Group's results for the year.

- HKAS 36, 'Impairment of assets' (amendment) requires that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment has no effect on the disclosures of the consolidated financial statements.

- HKAS 38, "Intangible assets' (amendment) requires that an asset may only be recognised for advertising and promotional expenditures, including mail order catalogues, in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. There is no material impact to the Group's results for the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2010 or later periods, but the Group has not early adopted them:

		Effective for financial year beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1st April 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st April 2010
HKAS 32 (Amendment)	Classification of Rights Issue	1st April 2010
HKAS 39 (Amendment)	Eligible Hedged Items	1st April 2010
HKFRS 1 (Revised)	First-time Adoption of HKFRS	1st April 2010
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	1st April 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction	1st April 2010
HKFRS 3 (Revised)	Business Combinations	1st April 2010
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1st April 2013
HKFRS 9	Financial Instruments	1st April 2013
HK(IFRIC) – Int 14 (Amendment)	Prepayments of A Minimum Funding Requirement	1st April 2011
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1st April 2010
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st April 2011

The expected impacts from the adoption of the above standards, amendments and interpretations to existing standards are still being assessed in details by management but it is expected that the adoption should not have significant impacts to the Group.

In addition, Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its improvement projects. These amendments are also not expected to have a significant financial impact to the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2(g)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	Lesser of the unexpired lease term or 20 to 50 years
Equipment (including leasehold improvements)	3 to 10 years or over the lease term
Furniture and fixtures	3 to 15 years
Motor vehicles	4 to 5 years

No depreciation is provided on freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the income statement.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to these cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(ii) Trademarks

Trademarks have an indefinite useful life and the carrying amount brought forward are not amortised but tested annually for impairment. Trademarks are carried at cost less accumulated amortisation up to 31st March 2005 and accumulated impairment losses.

(h) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of investments in subsidiaries and non-financial assets *(Continued)*

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

The translation differences on non-monetary securities are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Available-for-sale financial assets *(Continued)*

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss-is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. Impairment testing of debtors and prepayments is described in Note 2(k) to the financial statements.

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the cost of direct labour, materials and appropriate proportion of production overhead expenditure, and is calculated on the weighted average basis. Net realisable value is the anticipated sales proceeds less selling expenses in the ordinary course of business.

(k) Debtors

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Creditors

Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates and participates in a number of defined contribution plans. The assets of the defined contribution plans are held separately from those of the Group in independently administered funds. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefit relating to employee service in the current and prior periods.

(iii) Profit-sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to equity holders of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions *(Continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Recognition of revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods – wholesale and trading

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Sales of goods – retail

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(iii) Building management fee income

Building management fee income is recognised when the services are rendered.

(iv) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

(v) Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing the carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, China and a number of countries in South East Asia. Retail sales transactions are mostly denominated in the functional currencies of the group entities. The Group's exposure to foreign exchange risk mainly arise from future purchase transactions, recognised assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate. The Group considers its foreign currency exposure as mainly arising from the exposure of the Singapore dollar, Malaysian ringgit, Thai baht, Renminbi and British pound against the Hong Kong dollar. The Group regularly monitors its exposures to foreign currency transactions and use foreign exchange forward contracts to hedge such exposure occasionally depending on management's risk assessment.

The details of the currencies in which the Group's bank loans are denominated are set out in Note 28 to the financial statements. The Group's bank loans are principally denominated in the functional currency of the relevant group entity. Management does not anticipate any significant foreign exchange risk associated with the Group's borrowings.

The approximate impact to the Group's profit before tax that might be resulted from the reasonable possible changes in the foreign exchange rates against the Hong Kong dollar to which the Group has significant exposure at 31st March 2010 is summarised below. The analysis includes balances between group companies where the balances are denominated in a currency other than the functional currencies of the lending or the borrowing entities.

	2010		2009	
	Increase in foreign exchange rate	**Increase in profit before income tax HK$'000**	Increase in foreign exchange rate	Increase in profit before income tax HK$'000
Singapore dollar	**10%**	**3,090**	10%	12,719
Malaysian ringgit	**10%**	**752**	10%	12,146
Thai baht	**10%**	**804**	10%	2,104
Renminbi	**10%**	**4,970**	10%	7,286
British pound	**10%**	**(4,538)**	10%	(4,266)

Decrease in the above foreign exchange rates by 10% (2009: 10%) would affect the profit before income tax by the same amount but in the opposite direction.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. Bank loans at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's bank borrowings are disclosed in Note 28(a) to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to cash flow interest rate risk.

At 31st March 2010, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been HK$5,269,000 (2009: HK$4,951,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Credit risk

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets (mainly include deposits with banks and debtors) as stated in the consolidated balance sheet.

Bank balances are deposited in banks with sound credit ratings to mitigate the risk arising from banks. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. The Group also has policies in place to assess the credit worthiness of customers to ensure that sales of products are made to wholesale customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' aging to minimise its exposure to credit risk.

Sales to retail customers are made in cash or via major credit cards.

Rental deposits are mainly placed with various landlords in countries where the Group operates and are due to refund upon the expiry of the tenancy agreements and handover of the leased premises. During the year, the Group did not experience any defaults by the landlords.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	**Between 1 and 2 Years**	**Between 2 and 3 years**	**Over 3 years**
Group				
At 31st March 2010				
Bank borrowings	416,048	32,127	26,094	77,464
Finance lease	507	286	19	–
Creditors and accruals	341,037	–	–	–
At 31st March 2009				
Bank borrowings	423,706	24,591	18,574	85,132
Finance lease	739	794	264	–
Creditors and accruals	412,718	–	–	–
Company				
At 31st March 2010				
Creditors and accruals	1,025	–	–	–
At 31st March 2009				
Creditors and accruals	2,679	–	–	–

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less bank balances and cash. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31st March 2009 and 2010 were as follows:

	2010	2009
	HK$'000	HK$'000
Total borrowings (Note 28)	**532,334**	523,800
Less: Bank balances and cash (Note 24)	**(213,184)**	(117,386)
Net debt	**319,150**	406,414
Shareholders' funds	**847,759**	789,373
Gearing ratio	**38%**	51%

(c) Fair value estimation

Effective 1st April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's available-for-sale financial assets are measured at fair value by discounting the estimated future cash flows. Their fair value measurement is classified as level 3. Changes in level 3 instruments for the year ended 31st March 2010 are set out in Note 21.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

There was no transfer of financial instruments into or out of level 3 during the year.

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, debtors and prepayments and financial liabilities including creditors and accruals, short-term borrowings, approximate their fair values due to their short maturities.

The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cost flows at the current market interest rate that available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of stocks

Net realisable value of stocks is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

(ii) Impairment of debtors

The Group's management determines the provision for impairment of debtors receivable. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment exhibit any indications of impairment. The recoverable amounts are determined based on fair value less cost to sell. Fair value less costs to sell is management's best estimate of the amount obtainable from the sale of a property, plant and equipment in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

(iv) Impairment of intangible assets

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 20).

(v) Deferred income tax

The Group's management determines the amount of deferred tax asset to be recognised by estimating the amount of future profit available to utilise the tax losses in the relevant tax jurisdiction and entity. The estimate is based on the projected profit in respective jurisdiction and entity and the Group uses its judgement to make assumptions that are mainly based on market conditions existing on balance sheet date. It could change as a result of the uncertainties in the market conditions.

(vi) Fair value of investment properties

The fair values of investment properties are determined annually by independent qualified valuers based on open market value for relevant market transactions at the balance sheet date.

5 REVENUES

	2010	2009
	HK$'000	HK$'000
Turnover		
Sales of goods	**2,368,729**	2,442,564
Gross rental income	**1,440**	894
	2,370,169	2,443,458

6 OTHER GAINS/(LOSSES), NET

	2010 HK$'000	2009 HK$'000
Loss on disposal of property, plant and equipment, net	**(821)**	(994)
Fair value gains/(losses) of investment properties	**6,200**	(5,694)
Exchange gain/(loss), net	**10,662**	(3,087)
	16,041	(9,775)

7 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Building management fee income	**3,980**	4,223
Dividend income from investments	**2,526**	2,907
Interest income	**139**	637
Sundries	**12,176**	10,994
	18,821	18,761

8 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors. The executive directors review the Group's financial information mainly from product and geographical perspective. From a geographical perspective, management assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and rest of Asia.

Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes unallocated income and net corporate expenses.

Net corporate expenses mainly represent staff costs and provision for senior management bonus. Unallocated assets represent equipment and debtors at corporate level, available-for-sale financial assets, deferred tax assets and bank balances and cash. Unallocated liabilities represent creditors and accruals at corporate level, borrowings, deferred tax liabilities and income tax payable.

8 SEGMENT INFORMATION *(Continued)*

	For the year ended 31st March 2010						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Group Total HK$'000
Revenues							
Gross segment	794,268	466,819	574,836	247,150	489,835	13,929	2,586,837
Inter-segment	–	–	–	–	(204,179)	(12,489)	(216,668)
	794,268	466,819	574,836	247,150	285,656	1,440	2,370,169
Segment results	22,147	47,733	9,334	16,797	7,365	1,617	104,993
Unallocated income							2,575
Net corporate expenses							(32,453)
Operating profit							75,115
Finance costs							(11,749)
Profit before income tax							63,366
Income tax expense							(38,189)
Profit for the year							25,177

	For the year ended 31st March 2010							
	Watch retail		Optical retail					
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Corporate HK$'000	Group Total HK$'000
Capital expenditures	(25,306)	(10,730)	(19,756)	(6,335)	(989)	–	(1,184)	(64,300)
Depreciation	(26,628)	(18,613)	(19,186)	(14,285)	(6,252)	(92)	(946)	(86,002)
Amortisation of prepayment of lease premium	–	(3,573)	–	(3,097)	–	(4,711)	–	(11,381)
Fair value gains of investment properties	–	–	–	–	–	6,200	–	6,200
Provision for stocks	(2,258)	(4,382)	(2,106)	(2,274)	(32,828)	–	–	(43,848)
Impairment of property, plant and equipment	(2,591)	–	(1,034)	(1,266)	–	–	–	(4,891)
Write back of provision for onerous contracts	23	–	613	–	–	–	–	636

8 SEGMENT INFORMATION *(Continued)*

	For the year ended 31st March 2009						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Group Total HK$'000
Revenues							
Gross segment	786,606	507,644	560,063	241,264	689,307	11,444	2,796,328
Inter-segment	–	–	–	–	(342,320)	(10,550)	(352,870)
	786,606	507,644	560,063	241,264	346,987	894	2,443,458
Segment results	9,811	55,473	13,202	9,665	34,708	(9,511)	113,348
Unallocated income							3,115
Net corporate expenses							(34,281)
Operating profit							82,182
Finance costs							(16,458)
Profit before income tax							65,724
Income tax expense							(32,073)
Profit for the year							33,651

	For the year ended 31st March 2009							
	Watch retail		Optical retail					
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Corporate HK$'000	Group Total HK$'000
Capital expenditures	(27,178)	(18,264)	(19,707)	(14,923)	(2,519)	(38,594)	(265)	(121,450)
Depreciation	(26,635)	(18,243)	(21,015)	(14,650)	(6,389)	(96)	(1,188)	(88,216)
Amortisation of prepayment of lease premium	–	(3,490)	–	(3,025)	–	(4,710)	–	(11,225)
Fair value losses of investment properties	–	–	–	–	–	(5,694)	–	(5,694)
Provision for stocks	(5,545)	(3,203)	(1,173)	(3,154)	(12,380)	–	–	(25,455)
Impairment of property, plant and equipment	(2,183)	(1,005)	(2,496)	(446)	–	–	–	(6,130)
Provision for onerous contracts	(1,223)	–	(1,426)	–	–	–	–	(2,649)

8 SEGMENT INFORMATION *(Continued)*

As at 31st March 2010

	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	**Rest of Asia HK$'000**	**Hong Kong, Macau and Mainland China HK$'000**	**Rest of Asia HK$'000**	**Watch wholesale trading HK$'000**	**Property HK$'000**	**Group Total HK$'000**
Segment assets	**485,024**	**277,950**	**195,267**	**137,260**	**204,086**	**170,311**	**1,469,898**
Unallocated assets							**284,101**
Total assets							**1,753,999**
Segment liabilities	**118,526**	**39,399**	**110,086**	**23,563**	**53,543**	**722**	**345,839**
Unallocated liabilities							**555,433**
Total liabilities							**901,272**

As at 31st March 2009

	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Group Total HK$'000
Segment assets	544,038	318,651	184,340	123,064	235,054	168,924	1,574,071
Unallocated assets							183,449
Total assets							1,757,520
Segment liabilities	148,987	34,221	93,652	21,993	114,203	1,624	414,680
Unallocated liabilities							549,214
Total liabilities							963,894

8 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue by geographical area is as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	**1,229,410**	1,249,094
Mainland China	**176,266**	167,967
Rest of Asia	**959,927**	1,009,485
Europe	**3,983**	14,848
Others	**583**	2,064
	2,370,169	2,443,458

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	**178,052**	190,064
Mainland China	**14,311**	15,657
Rest of Asia	**236,378**	238,895
Others	**1,316**	5,328
	430,057	449,944

9 EXPENSES BY NATURE

	2010 HK$'000	2009 HK$'000
Cost of stocks sold and raw materials consumed	**947,447**	961,957
Amortisation of prepayment of lease premium	**11,381**	11,225
Depreciation of property, plant and equipment		
– Owned	**85,285**	87,490
– Leased	**717**	726
Impairment of property, plant and equipment	**4,891**	6,130
(Write back of)/provision for onerous contracts	**(636)**	2,649
Auditor's remuneration	**6,030**	6,618
Operating leases		
– Buildings	**424,052**	402,684
– Equipment	**36**	43
Provision for stocks	**43,848**	25,455
Impairment of debtors	**782**	852
Reversal of bad debts provision	**(1,548)**	(1,018)
Donations	**689**	4,342
Employee benefit expense (Note 10)	**419,820**	435,806
Others	**387,122**	425,303
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**2,329,916**	2,370,262

10 EMPLOYEE BENEFIT EXPENSE

	2010	2009
	HK$'000	HK$'000
Salaries and allowances	**392,054**	396,899
Pension contributions less forfeiture utilised (Note a)	**17,285**	26,207
Unutilised annual leave	**537**	1,131
Social security costs	**6,598**	7,035
Other allowances	**3,346**	4,534
	419,820	435,806

(a) Pensions – defined contribution plans

The Group operated a retirement scheme under Occupation Retirement Scheme Ordinance ("ORSO scheme") up to 30th November 2000 for employees in Hong Kong. With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme is set up which is available to eligible employees of the Group, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

For subsidiaries outside Hong Kong, contributions to the local pension scheme are made by the Group and employee, which are calculated at rates specified in the rules of the local pension scheme. The assets of the pension scheme are held separately from those of the Group in an independently administered fund.

Forfeited contributions totalling HK$4,701,000 for the year ended 31st March 2010 (2009: HK$1,090,000) arising from employees leaving the ORSO scheme, were utilised to offset contributions during the year.

10 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Emoluments of directors and senior management

The remuneration of each director of the Company is set out below:

Name	Fees HK$'000	Basic salaries, allowances, and benefits in kind HK$'000	Contributions to pension plans HK$'000	Discretionary bonus[i] HK$'000	Total HK$'000
For the year ended 31st March 2010					
Wong Chong Po	**100**	**1,296**	**–**	**352**	**1,748**
Joseph C. C. Wong	**80**	**2,440**	**83**	**1,057**	**3,660**
Chu Kai Wah, Anthony	**80**	**1,775**	**65**	**470**	**2,390**
Sakorn Kanjanapas	**80**	**–**	**–**	**–**	**80**
Lau Tak Bui, Vincent	**80**	**1,820**	**66**	**470**	**2,436**
Kwong Yi Hang, Agnes	**120**	**–**	**–**	**–**	**120**
Wu Chun Sang	**120**	**–**	**–**	**–**	**120**
Wu Chi Man, Lawrence	**120**	**–**	**–**	**–**	**120**
	780	**7,331**	**214**	**2,349**	**10,674**
For the year ended 31st March 2009					
Wong Chong Po	100	1,395	–	1,399	2,894
Joseph C. C. Wong	80	2,515	86	4,197	6,878
Chu Kai Wah, Anthony	80	1,754	98	1,865	3,797
Sakorn Kanjanapas	80	–	–	–	80
Lau Tak Bui, Vincent	80	1,798	61	1,865	3,804
Kwong Yi Hang, Agnes	120	–	–	–	120
Wu Chun Sang	120	–	–	–	120
Wu Chi Man, Lawrence	120	–	–	–	120
	780	7,462	245	9,326	17,813

[i] *Discretionary bonus represents the amount paid during the year.*

During the year, none of the directors waived their emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation of loss of office.

10 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining one (2009: one) individual during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Basic salaries, allowance and benefits in kind	**1,817**	952
Performance bonus	**430**	1,388
Contributions to pension plans	**67**	54
	2,314	2,394

11 FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**10,591**	13,336
Interest on bank loans and overdrafts not wholly repayable within five years	**913**	2,649
Interest on other financial liabilities	**184**	432
Interest on finance leases	**61**	41
	11,749	16,458

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31st March 2010 (2009: 16.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the territories in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2010	2009
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**9,402**	15,623
– Overseas profits tax	**27,234**	27,164
– Over provisions in respect of prior years	**(850)**	(67)
	35,786	42,720
Deferred income tax (Note 29)	**2,403**	(10,647)
Income tax expense	**38,189**	32,073

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of tax rates prevailing in the territories in which the Group operates, is as follows:

	2010	2009
	HK$'000	HK$'000
Profit before income tax	**63,366**	65,724
Theoretical tax at weighted average rate of 24.14% (2009: 8.01%)	**15,299**	5,265
Income not subject to tax	**(4,961)**	(4,626)
Expenses not deductible for tax purpose	**16,924**	12,155
Effect of changes in tax rate	**(40)**	1,173
Recognition of temporary difference not previously recognised	**(1,312)**	(225)
Utilisation of previously unrecognised tax losses	**(3,850)**	(1,472)
Tax losses not recognised	**15,225**	20,113
Over provisions in respect of prior years	**(850)**	(67)
Others	**1,754**	(243)
Income tax expense	**38,189**	32,073

The weighted average applicable tax rate was 24.14% (2009: 8.01%). The increase is caused by a change in the distribution of profitability of the Group's subsidiaries in the respective countries.

13 RESULTS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

All expenses of the Company were borne by a subsidiary. Accordingly, no profit or loss attributable to shareholders is dealt with in the financial statements of the Company for the years ended 31st March 2009 and 2010.

14 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Weighted average number of ordinary shares in issue (thousands)	**951,340**	951,340
Profit attributable to equity holders of the Company (HK$'000)	**24,630**	33,154
Basic earnings per share (HK cents)	**2.59**	3.48

Dilutive

There were no dilutive potential ordinary shares in existence during the years ended 31st March 2009 and 2010.

15 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim, paid of HK$0.01 (2009: Nil) per ordinary share	**9,513**	–
Final, proposed, of HK$0.01 (2009: HK$0.01) per ordinary share	**9,513**	9,513
	19,026	9,513

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Freehold land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
Year ended 31st March 2009			
Opening net book amount	80,927	147,401	228,328
Additions	–	82,856	82,856
Disposals/write-off	–	(2,906)	(2,906)
Depreciation	(885)	(87,331)	(88,216)
Impairment	(1,005)	(5,125)	(6,130)
Exchange differences	(809)	(7,928)	(8,737)
Closing net book amount	78,228	126,967	205,195
At 31st March 2009			
Cost	113,300	471,718	585,018
Accumulated depreciation and impairment	(35,072)	(344,751)	(379,823)
Net book amount	78,228	126,967	205,195

16 PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

	Freehold land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
Year ended 31st March 2010			
Opening net book amount	78,228	126,967	205,195
Additions	–	64,300	64,300
Disposals/write-off	–	(1,673)	(1,673)
Depreciation	(863)	(85,139)	(86,002)
Impairment	–	(4,891)	(4,891)
Exchange differences	1,942	5,605	7,547
Closing net book amount	79,307	105,169	184,476
At 31st March 2010			
Cost	115,244	522,734	637,978
Accumulated depreciation and impairment	(35,937)	(417,565)	(453,502)
Net book amount	79,307	105,169	184,476

Notes:

(a) Certain property, plant and equipment of the Group have been pledged for bank borrowings. The carrying value of these property, plant and equipment as at 31st March 2010 were approximately HK$58,182,000 (2009: HK$58,437,000).

(b) At 31st March 2010, the net book value of motor vehicles held under finance leases amounted to HK$928,000 (2009: HK$2,050,000).

(c) An impairment provision of HK$4,891,000 (2009: HK$6,130,000) was made for certain properties and equipment with reference to their fair value less costs to sell since their carrying values are not expected to be fully recoverable by this amount.

Impairment loss was included in other operating expenses in the consolidated income statement.

16 PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

(d) The Group's interest in freehold land and buildings at their net book values are analysed as follows:

	2010	2009
	HK$'000	HK$'000
Freehold land and buildings outside Hong Kong	**76,417**	75,244
Buildings in Hong Kong, held on:		
– Leases between 10 to 50 years	**2,890**	2,984
	79,307	78,228

17 INVESTMENT PROPERTIES – GROUP

	2010	2009
	HK$'000	HK$'000
At 1st April	**35,000**	2,100
Addition	**–**	38,594
Fair value gains/(losses)	**6,200**	(5,694)
At 31st March	**41,200**	35,000

The investment properties were revalued by independent professionally qualified valuers as at 31st March 2010. Valuations were based on open market values of the properties.

An investment property of the Group has been pledged for bank borrowings. The carrying value of this investment property as at 31st March 2010 was HK$38,600,000 (2009: HK$33,000,000).

The Group's interest in investment properties at their carrying values are analysed as follows:

	2010	2009
	HK$'000	HK$'000
Freehold investment property outside Hong Kong	**38,600**	33,000
Investment properties in Hong Kong, held on:		
– Leases between 10 to 50 years	**2,600**	2,000
	41,200	35,000

18 PREPAYMENT OF LEASE PREMIUM – GROUP

	2010 HK$'000	2009 HK$'000
At 1st April	**186,298**	205,489
Amortisation (note b)	**(11,381)**	(11,225)
Exchange differences	**5,286**	(7,966)
At 31st March	**180,203**	186,298

The Group's interests in prepayment of lease premium for leasehold land and premises at their net book amounts are analysed as follows:

	2010 HK$'000	2009 HK$'000
Leasehold land in Hong Kong, held on:		
– Leases between 10 to 50 years	**125,988**	130,699
Prepayment of lease premium for premises outside Hong Kong, held on:		
– Leases between 10 to 50 years	**40,799**	46,829
– Leases under 10 years	**13,416**	8,770
	180,203	186,298

Notes:

(a) Certain prepayment of lease premium for leasehold land and premises of the Group have been pledged for bank borrowings. The carrying amount of the prepayment of lease premium for leasehold land and premises as at 31st March 2010 was HK$141,295,000 (2009: HK$145,851,000).

(b) Amortisation of prepayment of lease premium for leasehold land and premises is included in the consolidated income statement as follows:

	2010 HK$'000	2009 HK$'000
Selling expenses	**6,670**	6,514
Other operating expenses	**4,711**	4,711
	11,381	11,225

19 SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY – COMPANY

	2010 HK$'000	2009 HK$'000
Investment in a subsidiary	–	–
Amount due from a subsidiary	**451,300**	471,980
	451,300	471,980

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

Details of principal subsidiaries are shown on Note 33.

20 INTANGIBLE ASSETS – GROUP

	Goodwill HK$'000	Trademarks HK$'000	Total HK$'000
Year ended 31st March 2009			
Opening net book amount	7,677	17,207	24,884
Exchange differences	(1,277)	(156)	(1,433)
Closing net book amount	6,400	17,051	23,451
At 31st March 2009			
Cost	6,400	46,043	52,443
Accumulated amortisation	–	(28,992)	(28,992)
Net book amount	6,400	17,051	23,451
Year ended 31st March 2010			
Opening net book amount	**6,400**	**17,051**	**23,451**
Provision for impairment	**–**	**(678)**	**(678)**
Exchange differences	**1,192**	**213**	**1,405**
Closing net book amount	**7,592**	**16,586**	**24,178**
At 31st March 2010			
Cost	**7,592**	**46,443**	**54,035**
Accumulated amortisation and impairment	**–**	**(29,857)**	**(29,857)**
Net book amount	**7,592**	**16,586**	**24,178**

20 INTANGIBLE ASSETS – GROUP *(Continued)*

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The goodwill is attributable to the watch trading operations.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets performed by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for the market development. Cash flows beyond the five year period are extrapolated using the estimated growth rate stated below.

The key assumptions used for value-in-use calculations are as follows:

1. Growth rate used to extrapolate cash flows beyond the budget period of 0% (2009: 0%) which does not exceed historical growth rate.

2. Pre-tax discount rate applied to cash flows projections of 5% (2009: 5%). The discount rate used is pre-tax and reflects specific risks related to the Group.

During the year ended 31st March 2010, there was no impairment on the CGUs containing goodwill with indefinite useful lives.

Impairment test for trademarks

The valuation of the trademarks is determined by estimating the value of royalties which the Group is exempted from by virtue of the fact that it owns the trademarks. A net sales royalty rate is multiplied by the net sales expected to be generated by the trademarks and then capitalised at a discount rate at which the trademarks operates.

During the year ended 31st March 2010, an impairment provision of HK$678,000 was recognised on the trademarks as the carrying value is not expected to be fully recoverable (2009: Nil).

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2010 **HK$'000**	2009 HK$'000
At 1st April	**18,123**	17,158
Revaluation (loss)/surplus transfer to equity (Note 26)	**(5,536)**	965
At 31st March	**12,587**	18,123

Available-for-sale financial assets as at 31st March 2010 represent unlisted equity investments in Switzerland and are denominated in Swiss Francs.

22 STOCKS – GROUP

	2010 HK$'000	2009 HK$'000
Raw materials	**36,273**	34,163
Work-in-progress	**2,065**	473
Finished goods	**690,047**	756,083
	728,385	790,719

The cost of inventories recognised as expense and included in cost of sales amounted to HK$947,447,000 (2009: HK$961,957,000).

23 DEBTORS AND PREPAYMENTS – GROUP

	2010 HK$'000	2009 HK$'000
Trade debtors, gross (Note a)	**146,195**	175,492
Provision for impairment of trade debtors	**(24,823)**	(29,313)
Trade debtors, net	**121,372**	146,179
Deposits, prepayments and other debtors (Note c)	**202,170**	189,621
	323,542	335,800
Trade debtors analysed by invoice date:		
Below 60 days	**55,950**	53,467
Over 60 days	**90,245**	122,025
	146,195	175,492

Notes:

(a) The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in the Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and hence, there are no fixed terms of settlement for such balances. The Group's trade debtors and trade creditors include balances due from and due to the import and export agents of HK$60,090,000 (2009: HK$82,393,000).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days from the invoice date to its trade debtors.

Balances that are neither past due nor impaired relate to a number of independent customers whom there was no relevant history of default.

23 DEBTORS AND PREPAYMENTS – GROUP *(Continued)*

(a) *(Continued)*

Included in the Group's trade debtors were debtors with a carrying amount of HK$15,497,000 (2009: HK$11,761,000) which were past due but not impaired. The ageing analysis of these trade debtors based on due dates is as follows:

	2010	2009
	HK$'000	HK$'000
Overdue:		
Within 1 year	**13,515**	11,607
1-2 years	**1,340**	107
2-3 years	**617**	24
Over 3 years	**25**	23
	15,497	11,761

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable. The Group does not hold any collateral over these balances.

As at 31st March 2010, debtors of HK$24,823,000 (2009: HK$29,313,000) aged over 3 years were fully impaired.

(b) Movements on the provision for impairment of trade debtors are as follows:

	2010	2009
	HK$'000	HK$'000
At 1st April	**29,313**	30,275
Provision for impairment	**782**	852
Receivables written off during the year as uncollectible	**(4,125)**	(137)
Provision written back	**(1,548)**	(1,018)
Exchange differences	**401**	(659)
At 31st March	**24,823**	29,313

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) The balance included amounts due from related companies of HK$3,150,000 (2009: HK$5,359,000).

The balances due from related companies as at 31st March 2010 are unsecured, interest free and repayable on demand.

23 DEBTORS AND PREPAYMENTS – GROUP *(Continued)*

(d) An analysis of debtors and prepayments by currency is as follows:

	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**170,586**	208,173
Renminbi	**37,453**	37,561
Singapore dollars	**36,925**	33,629
Malaysian ringgit	**36,573**	33,418
Thai bahts	**33,165**	11,886
Swiss Francs	**2,562**	5,054
Others	**6,278**	6,079
	323,542	335,800

24 BANK BALANCES AND CASH

An analysis of bank balances and cash by currency is as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**55,880**	30,765	**33**	33
Renminbi	**50,589**	34,694	**–**	–
Singapore dollars	**26,256**	21,572	**–**	–
Malaysian ringgit	**27,644**	16,208	**–**	–
Thai bahts	**32,955**	5,733	**–**	–
Swiss Francs	**2,123**	2,625	**–**	–
Others	**17,737**	5,789	**–**	–
	213,184	117,386	**33**	33

The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC is subject to the rules and regulations of exchange controls promulgated by the PRC government.

25 SHARE CAPITAL

	Number of shares of HK$0.1 Each	HK$'000
Authorised:		
At 31st March 2009 and 2010	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2008, 31st March 2009 and 31st March 2010	951,340,023	95,134

On 9th March 2005, the share option scheme for the employees, officers and directors of the Company and its subsidiaries (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiaries to subscribe for shares of the Company for a fixed period.

No share option was granted during the year and no share options were outstanding as at 31st March 2009 and 2010.

26 RESERVES

Group

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2008	1,977	12,859	29,950	702,830	747,616
Exchange differences	–	–	(58,956)	–	(58,956)
Revaluation of available-for-sale financial assets (Note 21)	–	965	–	–	965
Profit for the year	–	–	–	33,154	33,154
Dividends paid	–	–	–	(28,540)	(28,540)
At 31st March 2009	1,977	13,824	(29,006)	707,444	694,239
Representing:					
2009 proposed final dividend				9,513	
Reserves				697,931	
				707,444	
At 1st April 2009	**1,977**	**13,824**	**(29,006)**	**707,444**	**694,239**
Exchange differences	**–**	**–**	**58,318**	**–**	**58,318**
Revaluation of available-for-sale financial assets (Note 21)	**–**	**(5,536)**	**–**	**–**	**(5,536)**
Profit for the year	**–**	**–**	**–**	**24,630**	**24,630**
Dividends paid	**–**	**–**	**–**	**(19,026)**	**(19,026)**
At 31st March 2010	**1,977**	**8,288**	**29,312**	**713,048**	**752,625**
Representing:					
2010 proposed final dividend				**9,513**	
Reserves				**703,535**	
				713,048	

26 RESERVES *(Continued)*

Company

	Share premium HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2008	1,977	401,226	403,203
Dividends paid	–	(28,540)	(28,540)
At 31st March 2009	1,977	372,686	374,663
Representing:			
2009 proposed final dividend		9,513	
Reserves		363,173	
		372,686	
At 1st April 2009	**1,977**	**372,686**	**374,663**
Dividends paid	**–**	**(19,026)**	**(19,026)**
At 31st March 2010	**1,977**	**353,660**	**355,637**
Representing:			
2010 proposed final dividend		**9,513**	
Reserves		**344,147**	
		353,660	

27 CREDITORS AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors analysed by invoice date:				
Below 60 days	**131,932**	190,029	**–**	–
Over 60 days	**69,770**	68,335	**–**	–
	201,702	258,364	**–**	–
Other creditors and accruals (note a)	**153,012**	163,714	**1,025**	2,679
	354,714	422,078	**1,025**	2,679

27 CREDITORS AND ACCRUALS *(Continued)*

Notes:

(a) Included in other creditors and accruals are amounts due to related companies of HK$6,315,000 (2009: HK$12,580,000), which are unsecured, interest free and repayable on demand.

(b) An analysis of creditors and accruals by currency is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**185,764**	223,642	**1,025**	2,679
Renminbi	**79,296**	100,043	**–**	–
Singapore dollars	**21,471**	17,791	**–**	–
Malaysian ringgit	**8,788**	13,836	**–**	–
Thai bahts	**32,138**	36,500	**–**	–
Swiss Francs	**9,357**	6,737	**–**	–
US dollars	**13,621**	17,245	**–**	–
Others	**4,279**	6,284	**–**	–
	354,714	422,078	**1,025**	2,679

28 BORROWINGS – GROUP

	2010	2009
	HK$'000	HK$'000
Bank borrowings (note a)	**531,606**	522,183
Obligations under finance leases (note b)	**728**	1,617
	532,334	523,800
Amount repayable within one year included in current liabilities	**(404,925)**	(407,488)
	127,409	116,312

(a) Bank borrowings

The Group's bank borrowings are repayable as follows:

	2010	2009
	HK$'000	HK$'000
Within 1 year	**404,459**	406,839
Between 1 and 2 years	**29,355**	20,865
Between 2 and 5 years	**58,291**	45,712
Over 5 years	**39,501**	48,767
	531,606	522,183

28 BORROWINGS – GROUP *(Continued)*

(a) Bank borrowings *(Continued)*

Included in bank borrowings as at 31st March 2010 are secured borrowings amounted to HK$203,512,000 (2009: HK$248,237,000), which are secured by land and buildings and investment properties of the Group (Notes 16, 17 and 18).

An analysis of the carrying amount of the Group's bank borrowings by currency is as follows:

	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**483,749**	494,508
Renminbi	**6,840**	12,995
Singapore dollars	**4,011**	2,669
Malaysia ringgit	**6,728**	6,046
Thai bahts	**30,278**	5,965
	531,606	522,183

The weighted average effective interest rate per annum for bank borrowings was 2.18% (2009: 3.23%).

As at 31st March 2010, the carrying amounts of bank borrowings approximate their fair values.

As at 31st March 2010, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK$850,298,000 (2009: HK$834,381,000). As at 31st March 2010, the utilised amount of such facilities covered by the Company's guarantees was HK$531,606,000 (2009: HK$522,183,000).

(b) Obligations under finance leases

The obligations under finance leases are payable as follows:

	2010	2009
	HK$'000	HK$'000
Within 1 year	**507**	739
Between 1 and 2 years	**286**	794
Between 2 and 5 years	**19**	264
	812	1,797
Future finance charges on finance leases	**(84)**	(180)
Present value of finance lease liabilities	**728**	1,617

28 BORROWINGS – GROUP *(Continued)*

(b) Obligations under finance leases *(Continued)*

The present value of finance lease liabilities is analysed as follows:

	2010	2009
	HK$'000	HK$'000
Within 1 year	**466**	649
Between 1 and 2 years	**256**	737
Between 2 and 5 years	**6**	231
	728	1,617

An analysis of the carrying amounts of the obligations under finance lease by currency is as follows:

	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**109**	228
Singapore dollars	**243**	335
Malaysian ringgit	**376**	563
Thai bahts	**–**	491
	728	1,617

29 DEFERRED INCOME TAX – GROUP

Deferred income tax is calculated in full on temporary differences under the liability method using rates of taxation prevailing in the territories in which the Group operates.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**46,244**	45,548
Deferred tax liabilities	**(2,483)**	(1,312)
	43,761	44,236

29 DEFERRED INCOME TAX-GROUP *(Continued)*

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Accelerated accounting/ (tax) depreciation allowances	Provision for unrealised profit in stocks	Provisions	Other temporary differences	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2008	3,823	20,986	8,947	1,619	35,375
Transfer to income statement	(1,880)	687	1,894	9,946	10,647
Exchange differences	11	(947)	(520)	(330)	(1,786)
At 31st March 2009	1,954	20,726	10,321	11,235	44,236
Transfer to income statement	**1,820**	**1,163**	**272**	**(5,658)**	**(2,403)**
Exchange differences	**(169)**	**974**	**415**	**708**	**1,928**
At 31st March 2010	**3,605**	**22,863**	**11,008**	**6,285**	**43,761**

Out of the total unrecognised tax losses of HK$525,939,000 (2009: HK$531,650,000) carried forward, an amount of HK$265,771,000 (2009: HK$327,602,000) can be carried forward indefinitely. The remaining HK$260,168,000 (2009: HK$204,048,000) will expire in the following years:

	2010	2009
	HK$'000	HK$'000
In the first year	**28,432**	9,287
In the second year	**39,001**	27,645
In the third year	**51,586**	38,124
In the fourth year	**61,302**	50,259
In the fifth to tenth years inclusive	**79,847**	78,733
	260,168	204,048

30 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit before income tax	**63,366**	65,724
Depreciation	**86,002**	88,216
Amortisation of prepayment of lease premium	**11,381**	11,225
Loss on disposal of property, plant and equipment	**821**	994
Fair value (gains)/losses of investment properties	**(6,200)**	5,694
Provision for intangible assets	**678**	–
Provision for stocks	**43,848**	25,455
Impairment of debtors	**(782)**	(852)
Reversal of bad debts provision	**1,548**	1,018
Impairment of property, plant and equipment	**4,891**	6,130
(Write back of)/provision for onerous contracts	**(636)**	2,649
Interest income	**(139)**	(637)
Interest expense	**11,749**	16,458
Dividend income	**(2,526)**	(2,907)
Operating profit before working capital changes	**214,001**	219,167
Decrease/(increase) in stocks	**49,718**	(111,143)
Decrease in debtors and prepayments	**21,461**	59,676
Decrease in creditors and accruals	**(74,534)**	(47,526)
Cash generated from operations	**210,646**	120,174

31 COMMITMENTS

(a) Capital commitments of the Group for property, plant and equipment:

	2010 HK$'000	2009 HK$'000
Contracted but not provided for	**8,030**	596
Authorised but not contracted for	**–**	–
	8,030	596

31 COMMITMENTS *(Continued)*

(b) Commitments under operating leases (where the Group is the lessee)

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2010	2009
	HK$'000	HK$'000
Buildings		
Not later than one year	**399,428**	377,728
Later than one year but not later than five years	**357,274**	292,850
Later than five years	**17,450**	19,930
	774,152	690,508

(c) Operating lease arrangements (where the Group is the lessor)

The Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2010	2009
	HK$'000	HK$'000
Investment properties		
Not later than one year	**2,586**	1,440
Later than one year but not later than five years	**3,426**	4,290
	6,012	5,730

32 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Yee Hing Company Limited ("Yee Hing") (incorporated in Hong Kong).

Save as disclosed in Notes 23 and 27, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(i) Sales of goods and services to related companies

	2010	2009
	HK$'000	HK$'000
Service income from a related company	**2,142**	2,142

32 RELATED PARTY TRANSACTIONS *(Continued)*

(i) Sales of goods and services to related companies *(Continued)*

A wholly-owned subsidiary of the Group entered into agreement with Mengiwa Property Investment Limited ("MPIL"), a wholly-owned subsidiary of Yee Hing, for the provision of the following services for the period from 1st April 2008 to 31st March 2010:

(a) contract administration with respect to contracts entered into between MPIL and third parties from time to time;

(b) property agency liaison and tenancy management;

(c) management of the property manager of Stelux House; and

(d) other miscellaneous administrative services.

The fee for the provision of the above services was agreed at HK$178,500 per calendar month during the duration of the agreement.

(ii) Purchases of goods and services from related companies

	2010 **HK$'000**	2009 HK$'000
Purchase of goods (note a)	**11,071**	10,228
Rental expense to related companies (note b)	**12,573**	13,170
	23,644	23,398

Notes:

(a) During the year, certain subsidiaries of the Company purchased optical products from Vision PRO Trading Company Limited and its subsidiary companies, and International Optical Manufacturing Company Limited, indirectly owned subsidiaries of Yee Hing, in accordance with the terms of written agreements for the Group's retail and trading operations.

(b) During the year, certain subsidiaries of the Company have entered into tenancy agreements with the following related parties for office premises, warehouses, showroom and car-parking spaces:

	Rental paid for the year	
	2010 **HK$'000**	2009 HK$'000
Mengiwa Property Investment Limited	**6,683**	6,722
Mengiwa Private Ltd	**4,955**	4,592
Other related parties	**935**	1,856
	12,573	13,170

32 RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Year-end balances arising from service income, purchases of goods and rental expenses are disclosed in Note 23(c) and Note 27(a).

(iv) Key management compensation

	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**11,944**	10,591
Other long-term benefits	**214**	245
	12,158	10,836

33 PRINCIPAL SUBSIDIARIES

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity attributable to the Group	
			Number	Par value	2010	2009
Investment						
Stelux Holdings International Group (BVI) Limited	British Virgin Islands	Investment holding	1	US$1	**100** [a]	100 [a]
Stelux Holdings Limited	Hong Kong	Investment holding	1,000	HK$1	**100**	100
Stelux Investments and Properties (BVI) Limited	British Virgin Islands	Investment holding	1	US$1	**100**	100
Stelux Watch Holdings Limited (in members' voluntary liquidation)	Singapore	Investment holding	35,617,861	S$1	**100**	100
Thong Sia (BVI) Company Limited	British Virgin Islands	Investment holding	1	US$1	**100**	100
Property						
City Chain Properties Limited	Hong Kong	Property investment	2	HK$1	**100**	100
Fulani Investment Limited	Hong Kong	Property investment	2	HK$1	**100**	100
Optical 88 Properties Limited	Hong Kong	Property investment	2	HK$1	**100**	100

33 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2010	2009
Property (Continued)						
Oswald Property Management Limited	Hong Kong	Property investment	2	HK$100	**100**	100
Prime Master Limited	Hong Kong	Property investment	2	HK$1	**100**	100
Stelux Consultants B.V.	The Netherlands	Property development and project consultancy	80	EUR227	**100**	100
Stelux Properties Agency Limited	Hong Kong	Property agency and management	2	HK$1	**100**	100
Stelux Properties Limited	Hong Kong	Property management	500	HK$100	**100**	100
Retailing and trading						
City Chain Company Limited	Hong Kong	Watch retailing	250,000	HK$100	**100**	100
City Chain (M) Sdn Bhd	Malaysia	Watch retailing	3,333,333	RM1	**70**	70
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	**100**	100
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S$1	**100**	100
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000 [b]	Baht100 Baht100	**100**	100
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK$1	**100**	100
Optical 88 (Macau) Limited	Macau	Glasses and related optical gears retailing	2	MOP5,000	**100**	100
Optical 88 (S) Pte Limited	Singapore	Glasses and related optical gears retailing	500,000	S$1	**100**	100
Optical 88 (Thailand) Company Limited	Thailand	Glasses and related optical gears retailing	245,000 255,000 [b]	Baht10 Baht10	**100**	100

33 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity attributable to the Group	
			Number	Par value	2010	2009
Retailing and trading (Continued)						
Optical 88 Eyecare (M) Sdn Bhd	Malaysia	Glasses and related optical gears retailing	1,428,572	RM1	**70**	70
Pronto Watch S.A.	Switzerland	Watch distribution	100	SFr1,000	**100**	100
Solvil et Titus S.A.	Switzerland	Watch distribution	300	SFr1,000	**100**	100
Stelux International Licensing Limited	Bahamas	Trademark holding and licensing	2	US$1	**100**	100
Stelux Watch Limited	Hong Kong	Watch assembling	1,000,000	HK$1	**100**	100
Thong Sia Watch Company Limited	Hong Kong	Watch distribution	80,000	HK$10	**100**	100
Thong Sia Company (Singapore) Pte Limited	Singapore	Watch distribution	2,000,000	S$1	**100**	100
Thong Sia Sdn Bhd	Malaysia	Watch distribution	1,000,000	RM1	**96.4**	96.4
Thong Tai (Taiwan) Company Limited	Hong Kong/ Taiwan	Watch distribution	1,000	HK$10	**100**	100
Universal Geneve S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	**100**	100

33 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Paid-up capital	Percentage of equity attributable to the Group 2010	2009
Retailing and trading (Continued)					
Baoshi (Guangdong) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Retailing, trading and related optical services	HK$85,890,000	**100**	100
City Chain (Beijing) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$5,400,000	**100**	100
City Chain (Guangdong) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	HK$106,400,000	**100**	100
City Chain (Shanghai) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$10,000,000	**100**	100

a Directly held subsidiary

b Non-redeemable preference shares

1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Board of Directors (the "Board") of the Company is committed to making sure that effective self-regulatory practices exist to protect the interests of the shareholders. These include a Board comprising experienced and high calibre members, board committees, and effective internal audit and sound systems of internal controls.

This Corporate Governance Report ("Report") describes the Company's corporate governance practices with specific reference to the code provisions set out in the Code on Corporate Governance Practices ("The Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the financial year ended 31st March 2010, the Company complied with the provisions of the Code as set out in Appendix 14 of the Listing Rules, except for the deviations set out in this Report and where there are deviations from the Code, details of such deviations (including considered reasons for such deviations) are set out in this Report.

2. DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code.

In addition, the Board has established written guidelines on no less exacting terms than the Model Code for relevant employees of the Company in respect of their dealings in the securities of the Company.

3. BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group (the Company and its subsidiaries) and is collectively responsible for promoting the success of the Group by directing and supervising its affairs. Every director is expected to discharge his duties in good faith and up to the standard of prevailing applicable laws and regulations, acting in the best interests of the Group and the Company's shareholders. The Board currently consists of eight members. Among them, four are executive directors and four are non-executive Directors. Three out of the four non-executive directors are independent.

The post of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual. The Chairman, Mr. Wong Chong Po, and the CEO, Mr. Joseph C.C. Wong, also Vice Chairman of the Board, are brothers. The positions of Chairman and Vice Chairman are responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The CEO, supported by other board members and senior management, manages the Group's businesses, implementing major strategies, making day-to-day decisions and coordinating overall business operations.

The independent non-executive directors are highly experienced professionals with a broad range of expertise and experience including in areas such as accounting, finance and business. They ensure that the Board maintains high standards of financial and other mandatory reporting and provides adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole.

To assist the directors to discharge their duties, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. Directors are encouraged to attend professional development seminars and programmes during the year.

The term of office of the Company's non-executive directors, including the independent non-executive directors, is for a term of 3 years, subject to retirement by rotation (pursuant to Bye-law 110(A) of the Company's Bye-laws), whichever is the earlier.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the directors of the Company who have been longest serving in office since their last election, except the Chairman, Vice Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Both the Board and management have clearly defined responsibilities under various internal controls and checks and balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objective and business development plans, monitoring the performance of senior management and assuming responsibility for corporate governance. Management is responsible for implementing these strategies and plans, and regular reports on the Company's operations are submitted to the Board. All directors have access to management and enquiries, explanations, briefings or informal discussions on the Company's operations are welcome.

The Board held a total of ten board meetings during the financial year and up to the date of this Report. At these meetings, different issues and matters were discussed and reviewed including, approval of the 2009 final results and the 2010 interim and final results of the Group; reviewing financial and operating performances of the Group; approval of borrowing facilities; approval of a connected transaction relating to the acquisition of property and the renewals of continuing connected transactions; and conducting an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries for the purposes of Code Provision C.2.1 and C.2.2. The Executive Director for Finance & Corporate Affairs and the Company Secretary attended most board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Details of the directors' attendance at the board meetings during the year and up to the date of this Report are set out below. All businesses transacted at the board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Date of board meeting	**Total no. of Directors**	**No. of Directors present**
27th May 2009	8	6
17th July 2009	8	6
22nd July 2009	8	7
28th October 2009	8	5
24th November 2009	8	6
17th December 2009	8	6
12th March 2010	8	6
25th March 2010	8	5
6th May 2010	8	6
21st July 2010	8	6

Director	**No. of board meetings attended/held in FY2010 and up to the date of this Report**
Executive Directors	
Mr. Wong Chong Po *(Chairman)*	1/10
Mr. Joseph C. C. Wong *(Vice Chairman and CEO)*	8/10
Mr. Chu Kai Wah, Anthony	10/10
Mr. Lau Tak Bui, Vincent	10/10
Non-executive Directors	
Mr. Sakorn Kanjanapas	0/10
Mr. Wu Chun Sang *(independent)*	10/10
Professor Wu Chi Man, Lawrence *(independent)*	10/10
Dr. Kwong Yi Hang, Agnes *(independent)*	10/10

The Board is supplied with relevant information by senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 day's notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are despatched to the directors generally at least 3 days before the meeting and in any event as soon as practicable, in all instances, ensuring that they have sufficient time to review the papers and be adequately prepared for the meeting.

The proceedings of the Board at its meetings are generally conducted by the Vice-Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to directors to speak, express their views and share their concerns.

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting of the Company held on 8th September 2009 as he was not in Hong Kong, but the respective chairmen of the Audit Committee and Remuneration Committee were present.

4. ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the Group's accounts and has delegated this responsibility to the Executive Director for Finance and Corporate Affairs ("Finance Director"). The Finance Director and his team are responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong ensuring that the financial statements present a fair and true view of the results and the financial position of the Group and that they comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. The Finance Director maintains regular communications with the external auditors. He also plays a role in reviewing and making recommendations to the Board on the Group's financial risk management. The Finance Director is also responsible for overseeing the Group's investor relations activities.

A statement by the Group's external auditor, PricewaterhouseCoopers about their reporting responsibilities on the Group's financial statements are set out in the Independent Auditor's Report on page 30.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company and its subsidiaries ability to continue as a going concern.

5. AUDITORS' REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor of the Company at the 2009 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK$5,367,000 was paid or payable to PricewaterhouseCoopers for the provision of audit services. Details of nature for non-audit related services provided by and the fee paid or payable to PricewaterhouseCoopers are set out as below:

Description	**HK$**
Taxation compliance	388,000
Advisory and other services	676,000

The Group also engaged other auditors in Hong Kong and overseas for auditing and miscellaneous services and total fees paid amounted to HK$1,088,000.

6. BOARD COMMITTEES

To assist the Board in the discharge of its duties, the Board is supported by two board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

(1) Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Wu Chun Sang (Chairman of the Audit Committee), Prof. Wu Chi Man, Lawrence and Dr. Kwong Yi Hang, Agnes.

The terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code. The Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors.

The Committee met four times for the period from 1st April 2009 up to and including 31st July 2010 together with the external auditors in three meetings to discuss matters, including, the review of accounting principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of internal control throughout the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; to review all significant business affairs managed by the executive directors in particular on connected transactions and to review the Group's results for the years ended 31st March 2009 and 2010 before they were presented to the Board of Directors for approval.

Attendance of directors at the Audit Committee Meetings held on:

15th July 2009
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

11th December 2009
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

12th March 2010
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

14th July 2010
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

(2) Remuneration Committee

Under Code Provision B.1.1, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a remuneration committee on 20th December 2005 and Mr. Wu Chun Sang, Professor Wu Chi Man, Lawrence, Dr. Kwong Yi Hang, Agnes (all independent non-executive directors of the Company) and Mr. Joseph C.C. Wong (Vice Chairman and CEO of the Company) were appointed as committee members. Professor Wu Chi Man, Lawrence is the Chairman of the Remuneration Committee.

Code Provision B.1.3 deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive Directors as they are in a better position to appraise the performance of senior management.

Two committee meetings were held during the financial year and up to the date of this Report. At these meetings, the Committee determined annual bonus entitlement and conducted an annual review of the salaries of its executive directors. The Committee decided that the basic salaries of two of the Company's executive directors would remain unchanged whilst that of another two executive directors be increased by 2.5% respectively.

Attendance of directors at the Remuneration Committee Meetings held on:

15th July 2009	**6th May 2010**
Professor Wu Chi Man, Lawrence	Professor Wu Chi Man, Lawrence
Mr. Joseph C.C. Wong	Mr. Joseph C.C. Wong
Mr. Wu Chun Sang	Mr. Wu Chun Sang
Dr. Kwong Yi Hang, Agnes	Dr. Kwong Yi Hang, Agnes

The above board committees report to the Board of Directors on a regular basis. All businesses transacted at the board committee meetings are recorded and minuted. The Terms of Reference of the two board committees are available on the Company's website.

Although the Company has not set up a nomination committee, policies are in place to ensure that the most appropriate candidates are appointed to the Board.

7. INTERNAL CONTROLS

The internal controls and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation and the accounting records are reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities.

In order to establish a sound system of internal controls in safeguarding shareholders' interests and the Group's assets, the Company established a Compliance and Internal Controls Department, the key tasks of which include:

- to report to the Board from time to time on the situation/environment of the Group's corporate governance;
- to review cost control and performance efficiency in all operating units;
- to identify the need for improvement in the Group's internal controls area and to propose necessary recommendations to the Board; and
- to carry out internal audit work at operating units.

Under Code Provision C.2.1, the directors should at least annually conduct a review of the effectiveness of the system of internal controls of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

Under Code Provision C.2.2, the board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

The Board has conducted a review of the effectiveness of the system of internal controls and accounting systems of the Company and its subsidiaries and a board meeting was held on 12th March 2010 for such a review for the period from 14th March 2009 up to and including 12th March 2010. The Board reported that there were no changes in the nature and extent of significant risks and there were no material changes in the control environment during the period under review. According to the opinion of the Board, the Company and its subsidiaries have established sound internal controls systems so that the shareholders' investment and the Company's assets are safeguarded. Moreover, in the opinion of the Board, the Company's accounting and financial reporting function was adequately resourced with staff holding appropriate qualifications and experience and with sufficient training and budget provided by the Company.

This was the fourth meeting of the Board on internal controls and the second meeting of the Board on the accounting and financial reporting function of the Company and its subsidiaries. The effectiveness of the system of internal controls and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget will be reviewed annually.

8. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. Communications are maintained with analysts and fund managers to keep them abreast of the Company's development.

9. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communication with its shareholders and investors. To foster effective communications, the Company provides extensive information in its annual report, interim report and also disseminates information relating to the Group and its business electronically through its website: www.irasia.com/listco/hk/stelux

The Company regards the Annual General Meeting ("AGM") as a platform to provide an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors will also attend the AGM. The respective chairmen of the Audit Committee and Remuneration Committee were present at the Company's AGM held in 2009. Shareholders are given at least 21 days' notice of the AGM and are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

10. CODE OF CONDUCT

To enhance the ethical standards of employees, the Company has an employee handbook, setting out the Group's requisite standards and an ethical code of conduct for all employees of the Group. Employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

11. CONCLUSION

The Company believes that corporate governance principles and practices are particularly relevant in an ever changing world, and continues its ongoing efforts to review its corporate governance practices from time to time so as to meet changing circumstances. The Company will endeavour to strengthen and improve the standard and quality of the Company's corporate governance.

PROFILE OF DIRECTORS AND SENIOR EXECUTIVES

Chairman

WONG Chong Po, aged 68, was appointed Chairman of the Group in October 2003. He was the Managing Director of the Group from 1967 to 1995. He is also the Chairman of Bangkok Land Public Company Limited (Thailand). Mr. Wong holds directorships in Yee Hing Company Limited, Dragon Master Investment Limited, Active Lights Company Limited and Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Vice Chairman and Chief Executive Officer

Joseph C. C. WONG, Masters in Science (Operational Research), aged 50, was appointed a director of the Group in 1986. He was appointed Vice Chairman of the Group in October 2003. He is also the Group CEO. He is a brother of the Chairman. Mr. Wong holds directorships in Yee Hing Company Limited, Dragon Master Investment Limited, Klayze Holdings Limited, Active Lights Company Limited and Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Directors

CHU Kai Wah, Anthony, BBA, aged 51, was appointed a director of City Chain Company Limited, a wholly owned subsidiary of the Group in 1992. He was also appointed Executive Director for Retail Trading and Property Investment of the Group in 1997. He joined the Group in 1987.

LAU Tak Bui, Vincent, aged 52, was appointed a director of the Group in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau is the Company Secretary of Yee Hing Company Limited, Dragon Master Investment Limited, Active Lights Company Limited and both the Company Secretary and a director of Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Sakorn KANJANAPAS, aged 60, was appointed a director of the Group in 1987. He is a director of Bangkok Land Public Company Limited (Thailand). He is a brother of the Chairman. He is a non-executive director.

WU Chun Sang, aged 53, was appointed a director of the Group in 2004. He is a Macau Registered Auditor. He is also a fellow member of the Association of Chartered Certified Accountants, UK and an associate member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director.

WU Chi Man, Lawrence, aged 52, was appointed a director of the Group in 2005. He is a Professor at the Department of Physics and Material Science at the City University of Hong Kong. He holds a PHD from Bristol University, U.K. He is an associate member of the Royal Aeronautical Society, U.K. and a fellow of the Hong Kong Institution of Engineers. He is an independent non-executive director.

KWONG Yi Hang, Agnes, aged 51, was appointed a director of the Group in 2006 and is a director of Pallavi International Limited (Hong Kong), and Health Wisdom Limited, both of these companies are health consultancies. She holds a PhD in Molecular Immunology from the University of Hong Kong. She is an independent non-executive director.

Group Legal Counsel and Company Secretary

Caroline CHONG, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 48, is the Group Legal Counsel and Company Secretary. She joined the Group in 1997 and is responsible for the Group's legal and corporate secretarial matters.

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698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Principal Bankers
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited
Wing Hang Bank Limited

Legal Advisers
Baker & Mckenzie
Hogan Lovells

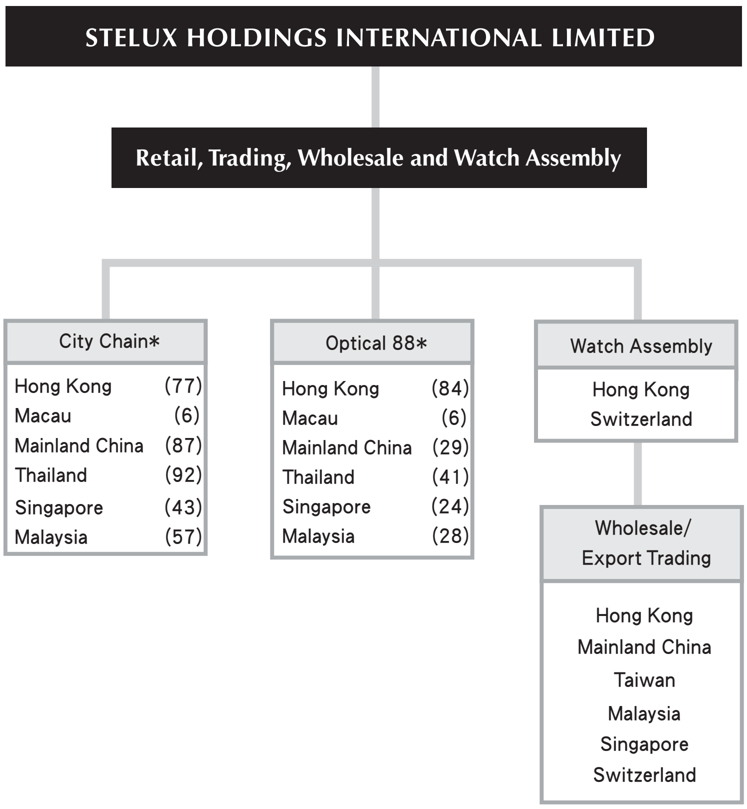
Auditor
PricewaterhouseCoopers

Share Registrar
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Room 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Audit Committee
Mr. Wu Chun Sang (Chairman of Committee)
Prof. Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

Remuneration Committee
Prof. Wu Chi Man, Lawrence (Chairman of Committee)
Mr. Joseph C.C. Wong
Mr. Wu Chun Sang
Dr. Kwong Yi Hang, Agnes



* Number of shops as at 30th June 2010. Includes all concept shops.

CORPORATE CITIZENSHIP AND SOCIAL RESPONSIBILITIES

At Stelux, we recognize we are very much a part of the communities which we serve. Through the year, Stelux and its subsidiaries participated in and also partnered several social organizations to support giving in cash and kind to various sections of our communities.

During the year, Stelux was presented with the Caring Company Award for the seventh consecutive year. Since 2009, City Chain Company Limited, Hong Kong ("City Chain Hong Kong") and Optical 88 Limited, Hong Kong ("Optical 88 Hong Kong") have also respectively been presented with the Caring Company Award, and this year for the first time, Thong Sia Watch Company Limited, the Hong Kong distributor for Seiko watches ("Thong Sia Hong Kong"), was also presented with this Award. The Caring Company Scheme is organised by The Hong Kong Council of Social Service. The goal of the Caring Company Scheme is "to build a caring community spirit through cultivating corporate citizenship and strategic partnership between the business and social service sectors.

Stelux and its employees participated in the "ORBIS Pin Campaign 2009 Hong Kong" raising cash donations to support the work at ORBIS. Optical 88 and City Chain Hong Kong have also helped to raise money by putting donation boxes in their stores to encourage public donations to ORBIS. Thong Sia Hong Kong also participated in the ORBIS raffle ticket sale 2010.

During the year, Thong Sia Hong Kong volunteered its services acting as the official time keeper in various charitable events organized by several sponsors, including, the "Sowers Action Challenging 12 Hours 2009" by Sowers Action, "Oxfam Trailwalker 2009" by Oxfam HK, "UNICEF Charity Run 2009" by UNICEF, "Ngong Ping Charity Walk 2010" by Youth Hostel Associations, "Diabetes HK Healthy Run 2010" by Diabetes Hong Kong, "Outward Bound Adventure Race 2010" by Outward Bound and "Famine 30" By World Vision. Thong Sia Hong Kong further sponsored watches for five of the above and also other charitable events.

Thong Sia Hong Kong and its employees also raised funds for "MSF Day" organized by Medecins Sans Frontieres and made donations to the Disabled Association Hong Kong last year.

We continue to promote and adopt a policy of equal opportunities to eliminate any discrimination in sex, family status and disability in employment and the workplace. City Chain Hong Kong, for example, employs persons with disabilities as watch repairers providing them with technical training.

Here at Stelux, we value our employees' career, personal development and their contributions to the Group. During the year, social activities such as family outings and various lifestyle classes like yoga training classes were organised for our employees. In addition, training courses and seminars are organised to foster employee development.

MAINLAND CHINA AND HONG KONG

Equity Investment, Property Investment, Retail and Trading, Watch Wholesale and Watch Assembling

- Stelux Holdings International Ltd
- Stelux Holdings Ltd
- Stelux Properties Ltd
- Optical 88 Ltd
- City Chain Co Ltd
- Stelux Watch Ltd
  27/F., Stelux House,
  698 Prince Edward Road East,
  San Po Kong, Kowloon, HONG KONG

  3/F., Kader Building
  22 Kai Cheung Road
  Kowloon Bay
  Kowloon, HONG KONG

- Thong Sia Watch Company Limited
  21/F., Stelux House
  698 Prince Edward Road East
  San Po Kong, Kowloon, HONG KONG

- City Chain (Shanghai) Company Limited
  Rm 26-10S, No. 93 Huaihai Middle Road,
  Shanghai, PRC

  Rm 2610-2618, Enterprise Square
  228 Mei Yuan Road
  Shanghai, PRC

- City Chain (Guangdong) Company Limited
  Room 607A, Ronghui Building
  302 Zhicheng Road
  Guangzhou Economic & Technological
  Development District, Guangzhou, PRC

  Rm 1808-1816, Guangbai Xin Yi Building
  18-28 Xihu Road, Yue Xiu District
  Guangzhou, PRC

- Baoshi (Guangdong) Company Limited
  Room 607B, Ronghui Building
  302 Zhicheng Road
  Guangzhou Economic & Technological
  Development District, Guangzhou, PRC

  17/F, Zhong Yue Building
  No. 22 Ma Peng Gang
  Zhong Shan Er Road, Yue Xiu District
  Guangzhou, PRC

- City Chain (Beijing) Company Limited
  Room 426, 4/F, Wang Fu Shi Ji Building
  No. 55 Dong Anmen Street, Beijing, PRC

TAIWAN

Trading
- Thong Tai (Taiwan) Company Limited
  19/F., No. 102
  Song Lung Road
  Taipei (110)
  TAIWAN

MACAU

Retail and Trading
- City Chain (Macau) Co Ltd
- Optical 88 (Macau) Ltd
  Rua de S. Domingos,
  n° 21-A, em Macau

MALAYSIA

Retail and Wholesale Trading
- City Chain (M) Sdn Bhd
- Optical 88 Eyecare (M) Sdn Bhd
  Unit 10.01, 10th Floor
  MCB Plaza, 6 Changkat Raja Chulan
  50200 Kuala Lumpur
  MALAYSIA
- Thong Sia Sdn Bhd
  CP 27, Suite 2601-04, 26th Floor, Central Plaza
  34, Jalan Sultan Ismail
  50250 Kuala Lumpur
  MALAYSIA

THAILAND

Retail and Trading
- City Chain (Thailand) Co Ltd
- Optical 88 (Thailand) Co Ltd
  47/543-544, Industrial Condominium
  6 Fl., Jeneva Building
  Moo 3, Chaeng Wattana Road
  Ban-Mai, Pak-Kred
  Nonthaburi 11120
  THAILAND

SINGAPORE

Equity Investment, Retail and Wholesale Trading
- Stelux Watch Holdings Ltd (in member's voluntary liquidation)
- City Chain Stores (S) Pte Ltd
- Optical 88 (S) Pte Ltd
  315 Outram Road #10-03
  Tan Boon Liat Building
  Singapore 169074
  SINGAPORE
- Thong Sia Company (Singapore) Private Limited
  30 Bideford Road, #04-00
  Thongsia Building
  Singapore 229922
  SINGAPORE

SWITZERLAND

Watch Assembling and Trading
- Universal Geneve S.A.
- Solvil et Titus S.A.
- Pronto Watch S.A.
  6 Route des Acacias
  1227 Les Acacias – Geneve
  SWITZERLAND